SENATE

THURSDAY, SEPTEMBER 8, 1949

(Legislative day of Saturday, September 3, 1949)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Rev. Robert N. DuBose, D. D., executive secretary, Commission on Christian Higher Education, Association of American Colleges, Washington, D. C., offered the following prayer:

O God, infinite, eternal and unchangeable, Thou that knowest every human need, fill our vision with the consciousness of Thy presence as we seek to do the work of this day. Give to us the recognition of Thy Fatherhood, unveil Thyself to our eyes and our hearts, and make known to us Thy will. Grant us hopefulness and cheerfulness in the midst of critical moments. Fulfill the desire for peaceful situations that burns within each of us as we consider the problems of our Nation and all therein for whom our responsibility is bound.

In the name of our Nation, we pray that Thou wouldst receive our thanksgivings, forgive our sins, strengthen our hope, and make deep our faith. Amen.

THE JOURNAL

On request of Mr. GEORGE, and by unanimous consent, the reading of the Journal of the proceedings of Wednesday, September 7, 1949, was dispensed with.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that on September 7, 1949, the President had approved and signed the following acts:

S. 936. An act to provide for the care and custody of insane persons charged with or convicted of offenses against the United States, and for other purposes;

S. 973. An act to exempt from taxation certain property of the National Society of the Colonial Dames of America in the District of Columbia; and

S. 2146. An act to provide certain additional rehabilitation assistance for certain seriously disabled veterans in order to remove an existing inequality.

CALL OF THE ROLL

Mr. GEORGE. Mr. President——

Mr. MILLIKIN. Mr. President, I have the floor, but I shall be glad to yield.

Mr. GEORGE. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The roll was called, and the following Senators answered to their names:

Aiken	Hendrickson	Millikin
Butler	Holland	Murray
Cordon	Humphrey	Reed
Donnell	Ives	Robertson
Douglas	Jenner	Schoeppel
Dulles	Johnston, S. C.	Tydings
Ecton	Leahy	Wherry
George	McKellar	Withers
Gillette	McMahon	Young
Graham	Martin	
Hayden	Miller	

The PRESIDENT pro tempore. A quorum is not present. The clerk will call the names of the absent Senators.

The legislative clerk called the names of the absent Senators; and Mr. KERR, Mr. MAYBANK, Mr. MCFARLAND, Mr. MUNDT, Mr. RUSSELL, and Mr. THOMAS of Oklahoma answered to their names when called.

The PRESIDENT pro tempore. A quorum is not present.

Mr. GEORGE. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The PRESIDENT pro tempore. The Sergeant at Arms will execute the order of the Senate.

After a little delay Mr. VANDENBERG, Mr. KNOWLAND, Mr. HICKENLOOPER, and Mr. PEPPER entered the Chamber and answered to their names.

After a little further delay Mr. BRICKER, Mr. GREEN, Mr. SMITH of New Jersey, Mr. GURNEY, Mr. KEM, Mr. FREAR, Mr. MCCARTHY, and Mr. SPARKMAN entered the Chamber and answered to their names.

Mr. CHAPMAN, Mr. CONNALLY, Mr. KILGORE, Mr. LUCAS, Mr. MALONE, Mr. MYERS, and Mr. THOMAS of Utah also entered the Chamber and answered to their names.

Mr. MYERS. I announce that the Senators from New Mexico [Mr. ANDERSON and Mr. CHAVEZ], the Senator from Virginia [Mr. BYRD], the Senators from Mississippi [Mr. EASTLAND and Mr. STENNIS], the Senators from Louisiana [Mr. ELLENDER and Mr. LONG], the Senators from Arkansas [Mr. FULBRIGHT and Mr. MCCLELLAN], the Senator from Alabama [Mr. HILL], the Senator from North Carolina [Mr. HOEY], the Senator from Texas [Mr. JOHNSON], the Senator from West Virginia [Mr. NEELY], the Senator from Maryland [Mr. O'CONOR], the Senator from Wyoming [Mr. O'MAHONEY], and the Senator from Idaho [Mr. TAYLOR] are absent on public business.

The Senator from California [Mr. DOWNEY] is necessarily absent.

The Senator from Wyoming [Mr. HUNT], the Senator from Tennessee [Mr. KEFAUVER], and the Senator from Washington [Mr. MAGNUSON] are absent by leave of the Senate on official business.

The Senator from Colorado [Mr. JOHNSON] and the Senator from Nevada [Mr. MCCARRAN] are absent by leave of the Senate.

Mr. WHERRY. I announce that the Senator from Connecticut [Mr. BALDWIN] and the Senator from Washington [Mr. CAIN] are absent by leave of the Senate on official business.

The Senator from Michigan [Mr. FERGUSON], the Senator from Massachusetts [Mr. LODGE], and the Senator from Utah [Mr. WATKINS] are absent by leave of the Senate.

The Senator from Maine [Mr. BREWSTER], the Senator from North Dakota [Mr. LANGER] the Senator from Oregon [Mr. MORSE], and the Senator from Wisconsin [Mr. WILEY] are absent on official business.

The Senator from New Hampshire [Mr. BRIDGES], the Senator from Vermont [Mr. FLANDERS], the Senator from Massachusetts [Mr. SALTONSTALL], the Senator from Maine [Mrs. SMITH], the Senator from Ohio [Mr. TAFT], the Senator from Minnesota [Mr. THYE], and the Senator from Delaware [Mr. WILLIAMS] are necessarily absent.

The Senator from Indiana [Mr. CAPEHART] is detained on official business.

The PRESIDENT pro tempore. A quorum is present.

TRANSACTION OF ROUTINE BUSINESS

The PRESIDENT pro tempore. The Senator from Colorado has the floor.

Mr. GEORGE. Mr. President, will the Senator from Colorado yield?

Mr. MILLIKIN. I yield.

Mr. GEORGE. Mr. President, with the consent of the Senator from Colorado, I ask unanimous consent that Members of the Senate be permitted to incorporate matters in the Appendix of the RECORD, introduce bills and resolutions, and other matters noncontroversial in character, without debate.

The PRESIDENT pro tempore. Without objection, it is so ordered.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred, as indicated:

SUSPENSION OF DEPORTATION OF ALIENS

A letter from the Acting Attorney General, transmitting, pursuant to law, copies of orders of the Commissioner of the Immigration and Naturalization Service suspending deportation as well as a list of the persons involved, together with a detailed statement of the facts and pertinent provisions of law as to each alien and the reason for ordering suspension of deportation (with accompanying papers); to the Committee on the Judiciary.

SUSPENSION OF DEPORTATION OF ALIENS—WITHDRAWAL OF NAMES

A letter from the Acting Attorney General, withdrawing the names of Margarita Clara Manzano-Salazar, Rosa Maria Manzano-Salazar, and Estela Eugenia Manzano-Salazar from a report relating to aliens whose deportations were suspended more than 6 months ago, transmitted to the Senate on July 1, 1949; to the Committee on the Judiciary.

MEMORIAL

The PRESIDENT pro tempore laid before the Senate a letter in the nature of a memorial from Sylvan I. Stroock, of New York, N. Y., remonstrating against the extension of the Reciprocal Trade Agreements Act under the terms recommended by President Truman, which, with the accompanying papers, was referred to the Committee on Finance.

REPORTS OF A COMMITTEE

The following reports of a committee were submitted:

By Mr. THOMAS of Oklahoma, from the Committee on Agriculture and Forestry:

H. R. 2514. A bill to enable the Secretary of Agriculture to extend financial assistance to homestead entrymen, and for other purposes; with an amendment (Rept. No. 975); and

H. R. 4090. A bill to extend the benefits of section 23 of the Bankhead-Jones Act to Puerto Rico; without amendment (Rept. No. 976).

By Mr. AIKEN, from the Committee on Agriculture and Forestry:

H. R. 2015. A bill to authorize the Secretary of Agriculture to convey and exchange certain lands and improvements in Grand Rapids, Minn., for lands in the State of Minnesota, and for other purposes; without amendment (Rept. No. 973); and

H. R. 5601. A bill to authorize the exchange of certain lands of the United States situated in Iosco County, Mich., for lands within the national forests of Michigan, and for other purposes; without amendment (Rept. No. 974).

By Mr. YOUNG, from the Committee on Agriculture and Forestry:

H. R. 2538. A bill to authorize completion of the land development and settlement of the Angostura unit of the Missouri Basin project, notwithstanding a limitation of time; without amendment (Rept. No. 977); and

H. R. 3926. A bill to rename a game sanctuary in the Harney National Forest as the "Norbeck Wildlife Preserve," and for other purposes; without amendment (Rept. No. 978).

EXECUTIVE MESSAGES REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF A COMMITTEE

As in executive session,

The following favorable reports of nominations were submitted:

By Mr. TYDINGS, from the Committee on Armed Services:

Paul H. Griffith, of Pennsylvania, Marx Leva, of Alabama, and Wilfred J. McNeil, of Iowa, to be Assistant Secretaries of Defense.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. McMAHON:

S. 2528. A bill for the relief of Evangelos Christos Mirtsopoulos; to the Committee on the Judiciary.

By Mr. YOUNG:

S. 2529. A bill for the relief of Bernard Smolarczyk and his wife and son; to the Committee on the Judiciary.

By Mr. TYDINGS:

S. 2530. A bill to amend the act of June 12, 1948 (Public Law 626, 80th Cong.), and the act of June 16, 1948 (Public Law 653, 80th Cong.), to authorize the construction of single- or duplex-type family quarters for the Department of Defense; to the Committee on Armed Services.

By Mr. GILLETTE:

S. 2531. A bill to amend the Federal Food, Drug, and Cosmetic Act to require the labeling of soaps and detergents; to the Committee on Interstate and Foreign Commerce.

By Mr. McFARLAND:

S. 2532. A bill to amend the National Service Life Insurance Act of 1940, as amended; to the Committee on Finance.

By Mr. HOLLAND (for himself and Mr. PEPPER):

S. 2533. A bill to prevent the closing of cases involving claims under laws administered by the Veterans' Administration before the death of the claimant or claimants;

S. 2534. A bill to allow any claimant or his authorized agent or representative to examine files, records, reports, and other papers and documents of the Veterans' Administration pertaining to such claimant's claim, without exception, and to make such files and records more confidential;

S. 2535. A bill to provide for a review of certain decisions of the Board of Veterans' Appeals by the Administrator of Veterans' Affairs;

S. 2536. A bill to eliminate the requirement that widows of World War II veterans must have married such veterans prior to 12 noon on December 31, 1956, in order to qualify for compensation or pensions under laws administered by the Veterans' Administration; and

S. 2537. A bill to provide for judicial review of determinations by the Administrator of Veterans' Affairs as to certain claims for pensions and compensation for disability or death; to the Committee on Finance.

By Mr. MYERS:

S. 2538. A bill for the relief of Dr. K-ting King; to the Committee on the Judiciary.

FARM LOAN BONDS—AMENDMENT

Mr. McCARTHY submitted an amendment intended to be proposed by him to the bill (S. 2166) to make farm loan bonds issued under authority of the Federal Farm Loan Act obligations of the United States, which was referred to the Committee on Agriculture and Forestry and ordered to be printed.

INCREASED COMPENSATION OF CERTAIN GOVERNMENT OFFICIALS—AMENDMENTS

Mr. McCARTHY submitted amendments intended to be proposed by him to the bill (H. R. 1689) to increase rates of compensation of the heads and assistant heads of executive departments and independent agencies, which were ordered to lie on the table and to be printed.

AMENDMENT OF CIVIL SERVICE RETIREMENT ACT—RECOMMITTAL OF BILL

Mr. JOHNSTON of South Carolina. Mr. President, I ask unanimous consent that the bill (H. R. 86) to amend the Civil Service Retirement Act so as to make such act applicable to the officers and employees of the Columbia Institute for the Deaf, be taken from the calendar and recommitted to the Committee on Post Office and Civil Service, for correction.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from South Carolina? The Chair hears none, and it is so ordered.

LEAVE OF ABSENCE

Mr. ROBERTSON asked and obtained consent to be absent from the Senate today and tomorrow.

THE MEXICAN OIL LOAN—ADDRESS BY SENATOR CHAVEZ

[Mr. GEORGE asked and obtained leave to have printed in the RECORD a radio address entitled "The Mexican Oil Loan," delivered by Senator CHAVEZ on Tuesday, August 30, 1949, which appears in the Appendix.]

INSURANCE AND THE WELFARE STATE—ADDRESS BY SENATOR KEM

[Mr. KEM asked and obtained leave to have printed in the RECORD an address on the subject Insurance and the Welfare State, delivered by him at the American Bar Association Convention in St. Louis, Mo., September 5, 1949, which appears in the Appendix.]

CONDITIONS IN ENGLAND—EDITORIAL BY BOB CONSIDINE

[Mr. KEM asked and obtained leave to have printed in the RECORD an editorial entitled "Nothing Wrong With John Bull That Real Work Won't Cure," by Bob Considine, from the Washington Times-Herald of September 6, 1949, which appears in the Appendix.]

AMERICAN LEGION CONVENTION ADDRESS BY THE SECRETARY OF DEFENSE

[Mr. MYERS asked and obtained leave to have printed in the RECORD an address delivered by the Secretary of Defense, Hon. Louis Johnson, at the American Legion Convention, Philadelphia, Pa., August 31, 1949, which appears in the Appendix.]

FEDERAL AID UPLIFT

[Mr. ECTON asked and obtained leave to have printed in the RECORD an editorial entitled "Federal Aid Uplift," published in the Bozeman (Mont.) Daily Chronicle on September 1, 1949, which appears in the Appendix.]

COMPENSATION FOR WAR DAMAGE TO CHURCHES

[Mr. MARTIN asked and obtained leave to have printed in the RECORD an article entitled "Israel To Compensate Christians for War's Damage to Churches," by Kenneth Bilby, published in the New York Herald Tribune of August 17, 1949, which appears in the Appendix.]

OPEN LETTER TO MAJ. GEN. HARRY VAUGHAN FROM THE RACINE JOURNAL-TIMES

[Mr. McCARTHY asked and obtained leave to have printed in the RECORD an open letter to Maj. Gen. Vaughan from the Racine Journal-Times, dated August 31, 1949, which appears in the Appendix.]

MAJ. GEN. HARRY VAUGHAN—EDITORIAL FROM THE RACINE JOURNAL-TIMES

[Mr. McCARTHY asked and obtained leave to have printed in the RECORD an editorial entitled, "President May Not Care, But—," from the Racine Journal-Times of September 6, 1949, which appears in the Appendix.]

CONFIRMATION OF NOMINATIONS IN THE ARMED SERVICES

Mr. TYDINGS. Mr. President, will the able, distinguished, potent, grave, and revered Senator from Colorado yield to me?

Mr. MILLIKIN. One of those will yield to the Senator.

Mr. TYDINGS. Mr. President, as in executive session, I report from the Committee on Armed Services unanimously certain nominations in the Army, Navy, and Air Force, together with the nominations of three assistants to the Secretary of Defense, all of which nominations have been aproved without exception and against which no objection of any kind have been filed. I ask for their immediate confirmation by the Senate, and that the President be notified.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Maryland?

Mr. WHERRY. Mr. President, reserving the right to object, I have no objection at all to the routine appointments, and I think I shall not object even to the confirmation of the nominations of the three assistants to the Secretary of Defense. I should, however, like to have the distinguished Senator read their names.

Mr. TYDINGS. Paul H. Griffith, Marx Leva, and Wilfred J. McNeil.

I may say to the distinguished Senator from Nebraska that those three men have been in the Department for some time, holding positions, and this is largely in conformance with the Unification Act which gave them these titles. So they are already there.

Mr. WHERRY. Would there be any objection—I want to comply with the request of the distinguished Senator—to having the nominations of the three assistants to the Secretary of Defense lie over for 1 day?

Mr. TYDINGS. Not a bit in the world.

Mr. WHERRY. I feel that in the case of such important nominations Senators should have an opportunity to look them over.

Mr. TYDINGS. I shall be very glad to modify my request to the extent of asking that the three Assistant Secretaries of Defense, Mr. Griffith, Mr. Leva, and Mr. McNeil, go over for another day and be filed on the Executive Calendar.

The PRESIDENT pro tempore. Without objection, as in executive session, those three nominations will be passed over.

Mr. WHERRY. Mr. President, I should like the RECORD to show that, so far as I am personally concerned, my request is for the purpose of examination only.

The PRESIDENT pro tempore. As in executive session, without objection, the other nominations are confirmed, and, without objection, the President will be immediately notified.

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

The Senate resumed the consideration of the bill (H. R. 1211) to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

Mr. MILLIKIN. Mr. President, yesterday, on behalf of the junior Senator from Colorado and some other Senators, I presented an amendment to the pending bill, which I now offer and ask to have made the pending question.

The PRESIDENT pro tempore. The amendment offered by the Senator from Colorado will be stated.

The LEGISLATIVE CLERK. It is proposed on page 1, to strike out lines 5 and 6.

On page 1, line 7, strike out "SEC. 3" and insert in lieu thereof "SEC. 2."

On page 1, lines 10 and 11, strike out "3 years from June 12, 1948" and insert in lieu thereof "2 years from June 30, 1949."

On page 2, line 1, strike out "SEC. 4" and insert in lieu thereof "SEC. 3."

On page 2, strike out lines 7 to 17, inclusive.

On page 2, line 18, strike out "SEC. 6" and insert in lieu thereof "SEC. 4."

On page 3, after line 6, insert the following:

SEC. 5. Section 5 (b) of the Trade Agreements Extension Act of 1948 (Public Law 792, 80th Cong.) is amended to read as follows:

"(b) Promptly after the President has transmitted such foreign trade agreement to Congress the Commission shall deposit with the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a copy of the portions of its report to the President dealing with the articles with respect to which such limits or minimum requirements are not complied with."

The PRESIDENT pro tempore. Does the Senator from Colorado wish the amendments considered en bloc?

Mr. MILLIKIN. Yes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. MILLIKIN. Mr. President, I ask unanimous consent to insert at the end of my statement a series of annexes which I have provided the reporter.

The PRESIDENT pro tempore. Without objection, it is so ordered.

PRELIMINARY

Mr. MILLIKIN. Mr. President, the issues here go to our ability to sustain and advance the well-being of our own people; they go to our ability to remain strong in an imperiled world, to carry the burden we have assumed for our own defense, and to impart strength to other nations in behalf of menaced freedoms.

What we do here will shape the worker's opportunity, the jobs available to him, the size of his pay envelope, the number of discharge and lay-off slips, the length of the line—already much too long—of the unemployed.

Involved here is our sensitiveness to human values and dignities so profoundly affected by assurance of employment or uncertainnty, by abundance or shabby austerity, by the erosion of the human spirit from idleness, hopelessness, or lack of confidence.

More than 4,000,000 unemployed and an even larger number of part-time workers are witnesses to these deliberations.

The results will be in the direction of a vigorous, forward-moving, constantly enriching economy or stagnation and decline.

Producers—whether for our domestic or export markets—the workers, the managers, the owners—all who participate in our complex economy are most importantly concerned.

We shall have the opportunity to add confidence with its mountain-moving strength, to a faltering economy and to our worried citizens; and, in the alternative, we shall have the opportunity to proclaim indifference and to revert to practices which would risk rather than safeguard our welfare.

My discussion will give attention to the legislative issue before us, including the amendments which we are proposing which join that issue. The points to be developed in favor of continuance of the peril-point procedures will be summarized and then expanded. The injuries and threats thereof resulting from the discredited method of making trade concessions on the basis of calculated risks to our domestic producers to which we are invited to return by the pending bill will be shown. The fallacies of the claim that escape-clause procedures are sufficient for safeguarding our producers will be exposed. The objections to the existing peril-point procedures will be answered. Certain provisions of the Geneva multilateral trade agreement of 1947 which have been invalidly intruded into our reciprocal trade agreements system and which are intended to commit us in advance to the proposed Habana Charter of the International Trade Organization prior to its necessary approval by Congress will receive attention.

I. THE ISSUE

The Trade Agreements Extension Act of 1948 requires that the Tariff Commission shall furnish the President with the limits beyond which, in the Commission's opinion, concessions cannot be made in our reciprocal trade agreements without serious injury or the threat of it to our domestic producers, and that if concessions exceeding such limits are made, the President shall advise the Congress of his reasons for the action taken. This, in brief, is the so-called peril-point procedure.

Mr. President, I ask unanimous consent that the Trade Agreements Extension Act of 1948, the pending bill, H. R. 1211, and the amendments which we are urging, be included in full at this point in my remarks.

The PRESIDENT pro tempore. Is there objection?

There being no objection, the matters were ordered to be printed in the RECORD, as follows:

An act to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes

Be it enacted etc., That this act may be cited as the "Trade Agreements Extension Act of 1948."

SEC. 2. The period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended (U. S. C., 1946 ed. title 19, sec. 1351), is hereby extended from June 12, 1948, until the close of June 30, 1949.

SEC. 3. (a) Before entering into negotiations concerning any proposed foreign trade agreement under section 350 of the Tariff Act of 1930, as amended, the President shall furnish the United States Tariff Commission (hereinafter in this act referred to as the "Commission") with a list of all articles imported into the United States to be considered for possible modification of duties and other import restrictions, imposition of additional import restrictions, or continuance of existing customs or excise treatment. Upon receipt of such list the Commission shall make an investigation and report to the President the findings of the Commission with respect to each such article as to (1) the limit to which such modification, imposition, or continuance may be extended in order to carry out the purpose of such section 350 without causing or threatening serious injury to the domestic industry producing like or similar articles; and (2) if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or similar articles the minimum increases in duties or additional import restrictions required. Such report shall be made by the Commission to the President not later than 120 days after the receipt of such list by the Commission. No such foreign trade agreement shall be entered into until the Commission has made its report to the President or until the expiration of the 120-day period.

(b) In the course of any investigation pursuant to this section, the Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings.

(c) Section 4 of the act entitled "An act to amend the Tariff Act of 1930," approved June 12, 1934, as amended (U. S. C., 1946 ed., title 19, sec. 1354), is hereby amended by striking out the matter following the semicolon and inserting in lieu thereof the following: "and before concluding such agreement the President shall request the Tariff Commission to make the investigation and report provided for by section 3 of the Trade Agreements Extension Act of 1948, and shall seek information and advice with respect to such agreement from the Departments of State, Agriculture, and Commerce, from the National Military Establishment, and from such other sources as he may deem appropriate."

SEC. 4. The Commission shall furnish facts, statistics, and other information at its command to officers and employees of the United

States preparing for or participating in the negotiation of any foreign trade agreement; but neither the Commission nor any member, officer, or employee of the Commission shall participate in any manner (except to report findings, as provided in section 3 of this act and to furnish facts, statistics, and other information as required by this section) in the making of decisions with respect to the proposed terms of any foreign trade agreement or in the negotiation of any such agreement.

SEC. 5. (a) Within 30 days after any trade agreement under section 350 of the Tariff Act of 1930, as amended, has been entered into which, when effective, will (1) require or make appropriate any modification of duties or other import restrictions, the imposition of additional import restrictions, or the continuance of existing customs or excise treatment, which modification, imposition, or continuance will exceed the limit to which such modification, imposition, or continuance may be extended without causing or threatening serious injury to the domestic industry producing like or similar articles as found and reported by the Tariff Commission under section 3, or (2) fail to require or make appropriate the minimum increase in duty or additional import restrictions required to avoid such injury, the President shall transmit to Congress a copy of such agreement, together with a message accurately identifying the article with respect to which such limits or minimum requirements are not complied with, and stating his reasons for the action taken with respect to such article. If either the Senate or the House of Representatives, or both, are not in session at the time of such transmission, such agreement and message shall be filed with the Secretary of the Senate or the Clerk of the House of Representatives, or both, as the case may be.

(b) Promptly after the President has transmitted such foreign trade agreement to Congress the Commission shall deposit with the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a copy of its report to the President with respect to such agreement.

Approved June 26, 1948.

[81st Cong., 1st sess., Calendar No. 94]

H. R. 1211

(Rept. No. 107)

(In the Senate of the United States, February 10, 1949. Read twice and referred to the Committee on Finance March 11 (legislative day, February 21), 1949. Reported by Mr. GEORGE, without amendment)

An act to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes

Be it enacted, etc., That this act may be cited as the "Trade Agreements Extension Act of 1949."

SEC. 2. The Trade Agreements Extension Act of 1948 (Public Law 792, 80th Cong.) is hereby repealed.

SEC. 3. The period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended and extended, is hereby extended for a further priod of 3 years from June 12, 1948.

SEC. 4. Section 350 (a) of the Tariff Act of 1930, as amended, is hereby further amended by deleting the following therefrom: "in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and".

SEC. 5. Section 4 of the act entitled "An act to amend the Tariff Act of 1930," approved June 12, 1934, as amended (U. S. C., 1946 ed., title 19, sec. 1354), is hereby amended by striking out the matter following the semicolon and inserting in lieu thereof the following: "and before concluding such agreement the President shall seek information and advice with respect thereto from the United States Tariff Commission, from the Departments of State, Agriculture, and Commerce, from the National Military Establishment, and from such other sources as he may deem appropriate."

SEC. 6. Section 350 (b) of the Tariff Act of 1930, as amended (U. S. Code, 1946, title 19, sec. 1351 (b)), is amended by changing the colon to a period, by deleting the proviso, and by adding the following: "Nothing in this act shall be construed to preclude the application to any product of Cuba (including products preferentially free of duty) of a rate of duty not higher than the rate applicable to the like products of other foreign countries (except the Philippines), whether or not the application of such rate involves any preferential customs treatment. No rate of duty on products of Cuba shall in any case be decreased by more than 50 percent of the rate of duty, however established, existing on January 1, 1945 (even though temporarily suspended by act of Congress.)"

Passed the House of Representatives February 9, 1949.

Attest:

RALPH R. ROBERTS,
Clerk.

Amendment intended to be proposed by Mr. MILLIKIN (for himself and Mr. TAFT, Mr. BUTLER, Mr. BREWSTER, Mr. MARTIN, and Mr. WILLIAMS) to the bill H. R. 1211 to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes, viz:

Page 1, strike out lines 5 and 6.

Page 1, line 7, strike out "SEC. 3" and insert in lieu thereof "SEC. 2."

Page 1, lines 10 and 11, strike out "three years from June 12, 1948" and insert in lieu thereof "two years from June 30, 1949."

Page 2, line 1, strike out "SEC. 4" and insert in lieu thereof "SEC. 3."

Page 2, strike out lines 7 to 17 inclusive.

Page 2, line 18, strike out "SEC. 6" and insert in lieu thereof "SEC. 4."

Page 3, after line 6, insert the following:

"SEC. 5. Section 5 (b) of the Trade Agreements Extension Act of 1948 (Public Law 792, 80th Cong.) is amended to read as follows:

"'(b) Promptly after the President has transmitted such foreign-trade agreement to Congress the Commission shall deposit with the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a copy of the portions of its report to the President dealing with the articles with respect to which such limits or minimum requirements are not complied with.'"

Mr. MILLIKIN. Mr. President, the pending bill, H. R. 1211, would extend our reciprocal trade agreements legislation until June 12, 1951, and would eliminate the peril-point procedures. It would eliminate them prospectively and retroactively to June 12, 1948.

The purpose of the retroactive provision is to exempt from the peril-point procedure the trade agreements now being negotiated at Annecy, France.

Appropriate amendments to the pending bill are before us to continue these safeguarding procedures, and to keep them effective from June 30, 1949, when the Extension Act of 1948 was allowed to lapse. This makes up the principal legislative issue now before us.

The amendments which we have offered accept two features of H. R. 1211, to wit, that which would strike out the emergency language of the Reciprocal Trade Agreements Act of 1934 and that which would authorize certain changes in our tariffs with Cuba.

As a part of the peril-point procedure of the Extension Act of 1948, section 5 (b) thereof requires that—

Promptly after the President has transmitted scuh foreign-trade agreement to Congress, the Commission—

That is, the Tariff Commission—

shall deposit with the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a copy of its report to the President with respect to such agreement.

There has been criticism of this provision on grounds (a) that the required report would include peril points which have not been exceeded and that this is inconsistent with the reporting obligation of the President which covers only those which have been exceeded, and (b) that making public the peril points which have not been exceeded, would embarrass nations which had made concessions falling short of the limits to which we might have been willing to go.

The amendments which we have offered accommodate themselves to this complaint and, therefore, limit the report of the Tariff Commission to Congress to those items as to which peril points have been exceeded.

II. POINTS TO BE DEVELOPED

It will be developed:

First. That with the exception of the minor matters mentioned, the amendments now under discussion do not ask for any change in the law as it was when it lapsed on June 30, 1949. The change, the crippling amendment, if you please, is being requested by the proponents of H. R. 1211. They would eliminate the safeguarding peril-point procedure of the Extension Act of 1948.

The amendments mentioned do not call for anything which would hamper the negotiation of sound reciprocal trade agreements.

We are not asking for a return to congressional logrolling.

We are not asking for a return to high protectionism.

We do not advocate economic isolationism.

We do not ask for anything which would cause the slightest warranted alarm or objection as to our trade intentions or foreign policies.

The amendments before us preserve the discretion of the President, operating within the over-all ranges permitted by our reciprocal trade-agreements legislation, to establish our tariff rates by bargaining for reciprocal advantage.

We are asking that before authorizing concessions, there shall be before the President a focused and authoritative reminder, as was provided by the Extension Act of 1948, of the peril points which if exceeded, will, according to the expert judgment of the Tariff Commission, seriously injure or threaten serious injury to our domestic producers.

The amendments now before us to the pending bill do not require that the President shall be limited by the peril points determined by the Tariff Commission. They do require that if the con-

cessions made shall exceed the peril points, the President shall advise the Congress of his reasons for the action taken. And why not? He is the master of his explanation, of its form, length, and content.

These amendments would preserve the present functions of the Inter-Departmental Committee which advises the President as to the concessions to be made and to be sought.

They would preserve the proper usefulness of the Tariff Commission in its relations to the Inter-Departmental Committee.

They would preserve the President's access to every fact from any official or private source which he might want or would be needed by him in reaching his decisions as to concessions to be granted or received.

We are not proposing that the Congress should reject concessions which might not meet with its approval.

The American producers' outlet to the American market is important enough in our economy—it is about 90 percent of our normal economy—to warrant a red lantern against its injury.

We favor the expansion of the foreign markets of our exporters and these amendments do not restrict noninjurious import concessions to aid the objective.

These matters have been emphasized because the subject of reciprocal trade lends itself to fanciful distortions. It invites the attention of fringe extremists.

It is seldom that the fringe doctrines are maintained with complete purity and this adds to the confusion of an objective student, if one can be found. We have all observed that the high protectionist often supports free trade on imports which serve the fabricators of his part of the country, and that the free trader supports protection for the local industry and production of his region.

I suppose that most of us pursue the will-o'-the-wisp of wanting to buy the other fellow's goods cheap and sell our own dear. And when private enterprise does not cooperate, there is no lack of fakirs who promise that utopia by legislation.

Also, to see the simplicity of the issue now before us, we must penetrate the incensed smog put out by those who would turn the subject of reciprocal trade into a mystique with devotionals, genuflections, and adorations promoted with lovely ritualistic words of high purpose.

The Gurus of this order go over the country chanting litanies to the glories of reciprocal trade. It promotes peace, a better world, better living for everyone everywhere. It is impeccable. It is a defilement of holy things to suggest that the practice should fit the purposes or even to hint that there are imperfections.

Then we have to exclude the confusions introduced by those who believe that the United States should be the world's shmoo and who are always shaking themselves to pieces lest other countries have a bad opinion of us if we give any measure of attention to the care of our own.

The advocates of 100-percent self-sufficiency add their distracting clamors. All foreign contacts, all business with foreign nations, are evil contaminations to be shunned with shocked aversion. To avoid even a furtive glimpse of the sirens of foreign trade, Uncle Sam should posture himself as a smug Buddha staring fixedly at his own navel.

Second. It will be shown that President Truman, President Roosevelt, and State Department representatives, in order to gain support for renewals of the Reciprocal Trade Agreements Act of 1934, promised unequivocally that domestic producers would be safeguarded against serious injury or the threat of it, and that the request of President Roosevelt for the enactment of the original Reciprocal Trade Agreements Act of 1934, squarely recognized the necessity of such safeguarding practices.

Third. It will be shown that those promises of the use of this determinative test have been violated in making our reciprocal trade agreements by the substitution in practice of the policy of subjecting our domestic producers to calculated risks to serve purposes which are outside of the authorized scope of reciprocal trade negotiations.

Fourth. It will be shown that there is evidence that serious injury has resulted from these policies and that by their nature and as a matter of present fact, serious injury is threatened.

Fifth. It will be shown that escape-clause procedures in force by Executive order, are not only inadequate for redressing these calculated risks when they mature into serious injury or the threat of it, but contain the strong potentiality of destroying the entire reciprocal trade-agreements program.

Sixth. It will be shown that the peril-point procedure established by the Extension Act of 1948 is administratively workable, that it has worked, and that it should be continued in connection with existing trade agreements, those to be negotiated in the future and those now being negotiated, or which have been negotiated at Annecy, France, and for use in their inevitable renegotiation.

Seventh. It will be shown that if our adherence, as proclaimed by the President, to certain provisions of the Geneva General Multilateral Trade Agreement of 1947 is valid, then the power of the President or of the Congress to assure the safeguarding of this Nation's economic welfare has been surrendered to the indulgence of other nations.

It will be shown that the purported adherence of the United States to those provisions of the Geneva agreement is an invalid abuse of the delegation by Congress to the President of authority to make reciprocal trade agreements.

It is difficult, and no wonder, to drive sheep into and out of the cars and trucks and runways leading to their slaughter. But sheep, for trusting reasons of their own, will follow a goat. And so, around stockyards, goats have been trained to lead the sheep to their uphappy endings. A goat used for that purpose is appropriately called a Judas goat.

It will be shown that certain of the general provisions of the Geneva Multilateral Agreement proclaimed as effective by the President but never authorized or approved by Congress and invalidly intruded into our reciprocal trade system, perform the role of Judas goat to lead us into advance commitment to the proposed Habana Charter for the International Trade Organization which admittedly cannot become effective without appropriate express congressional consent.

It should be clearly understood—I repeat, it should be clearly understood, and I make the observation for the benefit of those in this Chamber and others in Washington—that the Congress has placed its caveat on these general provisions of the Geneva agreement to which the President has proclaimed our provisional adherence.

Last year the Senate Committee on Finance in its report recommending the Extension Act of 1948 stated—Report No. 1558, Eightieth Congress:

> In reporting out this bill, your committee reserves questions such as those posed by allegations that the authority conferred under section 350 of the Tariff Act has been exceeded either by incorporation of general regulatory provisions in the multilateral trade agreement recently concluded at Geneva, or otherwise. Many of these regulatory provisions duplicate provisions in the Habana Charter for an International Trade Organization and therefore consideration will be given these matters when the Habana Charter is presented to the Congress. If the United States accepts membership in the International Trade Organization broad statutory changes would be needed to carry out effectively engagements that would follow from this country's acceptance of membership in that organization. This approaching decision respecting membership in the International Trade Organization is a strong reason for not extending the Trade Agreements Act of 1934 beyond June 30, 1949.

This was elaborated in debate and the extension of our reciprocal trade legislation by the Extension Act of 1948 was limited to 1 year on the expectation of Congress that within that time the general provisions of the Geneva Agreement and the similar and other provisions of the proposed ITO Charter would receive coordinated consideration.

The State Department well knew and had long been advised of the congressional interest in these relationships, for it had participated in extensive hearings in 1947 expressly dealing with them. It knew of the reasons expressed in Congress for the 1-year extension provided by the Extension Act of 1948.

This year the Senate Finance Committee took notice of the failure of the executive department to submit the proposed charter for ITO in time for orderly consideration in connection with the counterpart provisions of the Geneva Multilateral Trade Agreement and the report on H. R. 1211 of the members of the majority party of that committee, has the following to say on the subject—Report No. 107, Eighty-first Congress:

> In reporting this bill, your committee would emphasize that its enactment is not intended to commit the Congress on questions raised by incorporation of general regulatory provisions in the multilateral trade agreement recently concluded at Geneva or on any other aspects of our foreign trade program. No doubt full consideration will be given these matters when the Habana Charter for an International Trade Organization is presented to the Congress.

The minority members of the Senate Finance Committee approve of this statement.

Although the proposed charter for ITO had been available for submission to Congress by the executive department since March of 1948, it was held back for more than a year. It was not submitted until April 28, 1949.

By that date the House had completed its hearings and action on H. R. 1211, the bill now before us. Hearings had been concluded by the Senate Finance Committee, and the bill had been reported and placed on the Senate Calendar.

The charter for ITO was referred to the Senate Committee on Foreign Relations. Senators know, and the executive department had special reason to know, that the Foreign Relations Committee has been heavily burdened with other matters before it and that there was no reasonable chance that action could be had on ITO during this session of Congress. And thus coordinated consideration of these two interrelated matters must again be delayed and protection of our rightful legislative jurisdiction must again come from these caveats.

This delay in submitting to Congress the proposed charter for ITO is indefensible. It was stupid because it was so patently overfinessed and tricky that no one was fooled. It was disrespectful to the Congress, which has the right of fair and timely opportunity and the duty to give coordinated consideration to these intertwined and momentous subjects so peculiarly within its own constitutional jurisdiction. It aroused the correct conclusion that a bill of goods has been sold by overzealous salesmen which cannot be delivered, and that the salesmen themselves have lost confidence in the merits of their own claims and the quality of the promised merchandise.

III. REASONS FOR PERIL-POINT PROCEDURES—CALCULATED RISKS VERSUS CALCULATED SAFEGUARDING

Now I wish to go into the reasons for the peril-point procedure. I wish to consider calculated risks—which have been the practice—as against calculated safeguarding.

An orderly approach to these matters suggests that we develop the reasons for including the peril-point procedure in the Extension Act of 1948 and the reasons why we ask for its continuance.

First of all, it should be emphasized that when we ask that our reciprocal-trade-agreements legislation should continue to contain a focused reminder to the President for safeguarding our domestic producers and our wage earners against serious injury or the threat of it we are only requesting attention to that which has been promised and has not been provided.

Safeguarding our domestic producers against serious injury or the threat of it is implicit in the Reciprocal Trade Agreements Act of 1934. The legislation was requested on March 2, 1934, in a special message to the Congress from President Roosevelt. The message not only sustains the contention that it was intended that under the operation of the act our domestic producers should be safeguarded against injury, but it will have usefulness as we go along in pointing up other deviations in practice from the original purposes.

It is brief, and I shall read it:

MESSAGE FROM THE PRESIDENT (MARCH 2, 1934) TRANSMITTING A REQUEST TO AUTHORIZE THE EXECUTIVE TO ENTER INTO EXECUTIVE COMMERCIAL AGREEMENTS WITH FOREIGN NATIONS (H. DOC. 273, 73D CONG., 2D SESS.)

To the Congress:

I am requesting the Congress to authorize the Executive to enter into executive commercial agreements with foreign nations, and in pursuance thereof within carefully guarded limits, to modify existing duties and import restrictions in such a way as will benefit American agriculture and industry.

This action seems opportune and necessary at this time for several reasons.

First, world trade has declined with startling rapidity. Measured in terms of the volume of goods in 1933, it has been reduced to approximately 70 percent of its 1929 volume; measured in terms of dollars, it has fallen to 35 percent. The drop in the foreign trade of the United States has been even sharper. Our exports in 1933 were but 52 percent of the 1929 volume, and 32 percent of the 1929 value.

This has meant idle hands, still machines, ships tied to their docks, despairing farm households, and hungry industrial families. It has made infinitely more difficult the planning for economic readjustment in which the Government is now engaged.

You and I know that the world does not stand still; that trade movements and relations once interrupted can with the utmost difficulty be restored; that even in tranquil and prosperous times there is a constant shifting of trade channels.

How much greater, how much more violent is the shifting in these times of change and of stress is clear from the record of current history.

Mark you this, please:

Every nation must at all times be in a position quickly to adjust its taxes and tariffs to meet sudden changes and avoid severe fluctuations in both its exports and its imports.

You and I know, too, that it is important that the country possess within its borders a necessary diversity and balance to maintain a rounded national life, that it must sustain activities vital to national defense and that such interests cannot be sacrificed for passing advantage. Equally clear is the fact that a full and permanent domestic recovery depends in part upon a revived and strengthened international trade and that American exports cannot be permanently increased without a corresponding increase in imports.

Second, other governments are to an ever-increasing extent winning their share of international trade by negotiated reciprocal trade agreements. If American agricultural and industrial interests are to retain their deserved place in this trade, the American Government must be in a position to bargain for that place with other governments by rapid and decisive negotiation based upon a carefully considered program, and to grant with discernment corresponding opportunities in the American market for foreign products supplementary to our own.

If the American Government is not in a position to make fair offers for fair opportunities, its trade will be superseded. If it is not in a position at a given moment rapidly to alter the terms on which it is willing to deal with other countries, it cannot adequately protect its trade against discriminations and against bargains injurious to its interests. Furthermore a promise to which prompt effect cannot be given is not an inducement which can pass current at par in commercial negotiations.

For this reason, any smaller degree of authority in the hands of the Executive would be ineffective. The executive branches of virtually all other important trading countries already possess some such power.

I would emphasize that quick results are not to be expected. The successful building up of trade without injury to American producers depends upon a cautious and gradual evolution of plans.

I interpolate to say, compare this admonition with the Geneva agreement, in which in a short period of time there were negotiations on over 40,000 items, with more than 4,000 items of direct interest to the United States. It would be rather difficult to defend the proposition that that was a "cautious and gradual evolution of plans."

I read further:

The disposition of other countries to grant an improved place to American products should be carefully sounded and considered; upon the attitude of each must somewhat depend our future course of action. With countries which are unwilling to abandon purely restrictive national programs, or to make concessions toward the reestablishment of international trade, no headway will be possible.

That was President Franklin D. Roosevelt speaking. Let me repeat that part:

With countries which are unwilling to abandon purely restrictive national programs, or to make concessions toward the reestablishment of international trade, no headway will be possible.

Contrast that, Mr. President, if you will, with perhaps 250 or perhaps closer to 300 bilateral agreements operating against our exporters. Contrast it with statism, with state monopolies, with quotas, with exchange licenses, with import licenses, which exist and which have been maintained and which are being expanded by those who already have received the benefit of our concessions.

I continue to quote:

The exercise of the authority which I propose must be carefully weighed in the light of the latest information so as to give assurance that no sound and important American interest will be injuriously disturbed. The adjustment of our foreign-trade relations must rest on the premise of undertaking to benefit and not to injure such interests. In a time of difficulty and unemployment such as this—

I interpolate to say that would be "new hat" if it were written today—

the highest consideration of the position of the different branches of American production is required.

From the policy of reciprocal negotiation which is in prospect, I hope in time that definite gains will result to American agriculture and industry.

Important branches of our agriculture, such as cotton, tobacco, hog products, rice, cereal, and fruit raising, and those branches of American industry whose mass-production methods have led the world, will find expanded opportunities and productive capacity in foreign markets, and will thereby be spared in part, at least, the heartbreaking readjustments that must be necessary if the shrinkage of American foreign commerce remains permanent.

A resumption of international trade cannot but improve the general situation of other countries, and thus increase their purchasing power. Let us well remember that this in turn spells increased opportunity for American sales.

Legislation such as this is an essential step in the program of national economic recov-

ery which the Congress has elaborated during the past year. It is a part of an emergency program necessitated by the ceonomic crisis through which we are passing. It should provide that the trade agreements shall be terminable within a period not to exceed 3 years; a shorter period probably would not suffice for putting the program into effect. In its execution the Executive must, of course, pay due heed to the requirements of other branches of our recovery program, such as the National Industrial Recovery Act.

I hope for early action. The many immediate situations in the field of international trade that today await our attention can thus be met effectively and with the least possible delay.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *March 2, 1934.*

The assurance that domestic producers would be safeguarded against serious injury or the threat of it was reiterated on subsequent occasions by Presidents Roosevelt and Truman.

On June 15, 1934, President Roosevelt wrote Representative Buck as follows; and this may be found in the record of the 1948 hearings before the Senate Finance Committee, at pages 377-378:

MY DEAR CONGRESSMAN BUCK: I am somewhat surprised and a little amused at the fears you say have been aroused in California because of the enactment and possible administration of the Reciprocal Trade Agreements Act. Certainly it is not the purpose of the administration to sacrifice the farmers and fruit growers of California in the pursuit of the will-o'-the-wisp of foreign markets, as published reports would make believe. I trust that no Californian will have any concern or fear that anything damaging to the fruit growers of that State or of any other State will result from this legislation.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

In connection with the hearings on the Reciprocal Trade Agreements Extension Act of 1945, Mr. Will Clayton, then Assistant Secretary of State, testified before the Senate Finance Committee, as follows:

I am hammering these things in, Mr. President, to establish beyond peradventure of doubt that what we are asking for is only that which has been promised. I am making a record of it so that if anyone is interested, it can be found. This is not some new invention by persons with villainous intent to destroy the reciprocal trade agreements system. Those who initiated the system, those who have been in charge of it since its inception, have repeatedly assured us that American producers would be safeguarded; and I am making a record of it so that there can be no if's, and's, and but's about it.

I quote now from page 7, 1945 hearings, Senate Finance Committee, and inserted at page 378 of the 1948 hearings of the same committee. This is Mr. Clayton speaking, and a little later he introduces a letter from President Truman:

A rumor has freely circulated that certain American industries have been singled out as inefficient industries and that if the additional authority provided for in the bill is granted the State Department will use such authority to trade off these inefficient industries for other industries which can compete in the world market. Nothing could be further from the truth than this. The State Department has never construed the Trade Agreements Act as a license to remake the industrial or agricultural pattern of America.

I interpolate to ask Senators to tuck that statement away in the back of their minds. We shall come to it again a little later.

I repeat:

The State Department has never construed the Trade Agreements Act as a license to remake the industrial or agricultural pattern of America. The record of 11 years of administration of the act should prove that. If, however, there is any doubt in anyone's mind regarding the use of the act to seriously injure American industry, this doubt should be completely dispelled by the letter of May 25 from President Truman to the Honorable SAM RAYBURN. The short letter reads as follows:

This is from President Truman to Speaker RAYBURN:

MY DEAR MR. SPEAKER: Supplementing our conversation yesterday, I wish to repeat that I regard the pending measure for the renewal and strengthening of the Trade Agreements Act as of the first order of importance for the success of my administration. I assume there is no doubt that the act will be renewed. The real question is whether the renewal is to be in such form as to make the act effective. For that purpose, the enlargement of authority provided by section 2 of the pending bill is essential.

That was the bill which provided another authority to increase or decrease rates by 50 percent.

I have had drawn to my attention statements to the effect that this increased authority might be used in such a way as to endanger or trade out segments of the American industry, American agriculture, or American labor. No such action was taken under President Roosevelt and Cordell Hull, and no such action will take place under my Presidency.

Sincerely yours,

HARRY S. TRUMAN.

In President Truman's message to Congress of March 1, 1948, asking further extension of our reciprocal trade agreements legislation, he said:

In addition, the interests of domestic producers are carefully protected in the negotiation of each trade agreement. I assured the Congress when the Reciprocal Trade Agreements Act was last extended in 1945 that domestic producers would be safeguarded in the process of expanding trade. That commitment has been kept. It will continue to be kept. The practice will be continued of holding extensive public hearings to obtain the view of all interested persons before negotiations are even begun. The practice will be continued whereby each agreement before its conclusion will be carefully studied with the Departments of State, Treasury, Agriculture, Commerce, and Labor, the National Military Establishment, and the Tariff Commission.

Finally, each agreement will continue to include a clause which will permit withdrawal or modification of concessions if, as a result of unforeseen developments and of the concessions, imports increase to such an extent as to cause or threaten serious injury to domestic producers.

I pause to receive challenge, if any there be, that this central theory, that which we are here asking, is not the promise of Presidents Roosevelt and Truman. That is the premise. There is no use going further, if that is in error. So, if anyone thinks it is in error, I am open to debate on the subject.

The Presidential assurances that our domestic producers would be safeguarded against serious injury or the threat of it, have, I believe, been shown.

Now it will be developed that the peril-point provisions of the Extension Act of 1948:

(a) Resulted from complaints of domestic producers that the procedures followed in making reciprocal trade agreements were not in fact consistent with the safeguarding assurances;

(b) Resulted from unsuccessful efforts to secure comprehensive administrative corrections intended to fortify and make more certain the performance of that which had been promised;

(c) Resulted from official admissions that the safeguarding assurances were in practice subjected to the hazards of calculated risks in furtherance of purposes which, as will be shown, are outside of the authorized scope of reciprocal trade negotiations.

Many domestic producers were alarmed over what might be done at Geneva in 1947 in connection with the contemplated wholesale negotiations for trade agreements, which ultimately were concluded simultaneously between the United States and 22 other nations.

As I have said before, more than 40,000 items were involved, including more than 4,000 items of direct interest to the United States. This was a wide and disturbing departure from the original conception which I have just read, that—

The successful building up of trade without injury to American producers depends upon a cautious and gradual evolution of plans.

The procedure preliminary to the making of reciprocal trade agreements encouraged these apprehensions. They are outlined in detail in an annex to these remarks excerpted from a report by the United States Tariff Commission.

Many domestic producers felt that the safeguarding assurances were diluted or lost sight of in the adjustment of differences of opinion between the agencies which then had voices in the matter—the State Department, Labor, Agriculture, Commerce, War, and Navy—and under the pressure of free trade and extreme internationalist philosophy held by influential men in the State Department.

From the time the public hearings were concluded on concessions which might be made, until the negotiated results were announced, the whole proceeding was and continues to be surrounded with secrecy—with secrecy so impenetrable that, as will be shown, the Congress itself, which delegated its tariff powers to the executive department but which nevertheless is responsible for their proper use, has been denied requested facts even after the agreements had been concluded.

Domestic producers felt handicapped in making an adequate case at the hearings which were afforded them because they did not know the extent of the concessions which would be made.

Because of the secrecy which blanketed the proceedings from the moment the public hearings had been concluded,

domestic producers were not in position to rebut conclusions adverse to their contentions which might be founded on mistaken interpretation of their showings or mistakes of fact.

There was no opportunity and there is no opportunity for a review of, or appeal from, such adverse conclusions.

So far as could be determined there were no clear standards and, as a matter of fact, there are no clear standards for determining the scope of concessions to be made.

The advice of American producers during the course of the actual negotiations, often conducted by men without business experience, was not sought—in fact was repulsed—although the negotiating teams of foreign countries were in close touch with representatives of their own domestic interests which might be affected.

In this connection I mention that of 83 officials who represented us in making the Geneva multilateral trade agreement and the Geneva draft of what is now the proposed Habana Charter for the International Trade Organization, there was only one outstanding business reputation—only one out of 83. He was Mr. Will Clayton. The rest were in the main men of book learning and government service, unilluminated by practical experience in what makes the cash register ring.

In February of 1947 the distinguished senior Senator from Michigan and the junior Senator from Colorado, because of complaints along these and other lines, and believing that most of them could be eliminated by simple procedural corrections for which Presidential authority already existed, endeavored on their own responsibility to bring about an administrative solution.

The purpose of these Senators and the steps taken by them were made known in a public statement issued by them on February 7, 1947, a copy of which is included as an annex to these remarks.

I shall read enough of the statement to show the recommendations which were made by us:

3. That under the Tariff Act of 1930 and the amending Reciprocal Trade Act there is ample authority for establishment of procedures by the President without further legislation that will safeguard the domestic economy without hampering the negotiation of agreements to encourage the essential expansion of our foreign trade.

4. That to the extent such executive safeguards are provided, claims for legislative action are obviated.

5. We believe that the following measures which may be put into effect by the President out of his existing powers would afford improved safeguards and would, without damage to legitimate reciprocal trade negotiations allay many of the fears that have been mentioned:

(a) The United States Tariff Commission to review all contemplated tariff reductions and concessions in all future trade agreements and to make direct recommendation to the President as to the point beyond which reductions and concessions cannot be made without injury to the domestic economy;

(b) Inclusion of escape clause in every trade agreement hereafter entered into or renewed whereby the United States, on the initiative of the President, can withdraw or modify any tariff reduction or concession if in practice it develops that such reduction or concession has imperiled any affected domestic interest;

(c) The Tariff Commission to keep closely and currently informed on the operation of all of our trade agreements and on its own motion or on the request of the President or of the Congress, or of any aggrieved party, to hold public hearings to determine whether, in its opinion, any particular escape clause should be invoked, and to recommend direct to the President withdrawal or modification of any rate or concession which imperils any affected domestic interest;

(d) Recommendations of Tariff Commission to President for withdrawal or modification of rates or concessions under operation of escape clause, together with any dissenting opinions of members and nonconfidential supporting data to be open to public inspection;

(e) Efficient procedures and policies to assure that nations which do not make available to us their own tariff reductions and concessions to other nations shall not receive generalized benefits from us resulting from the inclusion in our own trade agreements of the unconditional most-favored-nation clauses except at our option exercised in the public interest.

On February 25, 1947, President Truman issued Executive Order 9832 prescribing procedures for the administration of the reciprocal trade agreements program. The full order will be found in one of the annexes to these remarks.

The Executive order requires that in every trade agreement thereafter entered into there shall be an escape clause whereby—

If, as a result of unforeseen developments—

Mark those words, please, "unforeseen developments"—

and of the concession granted by the United States on any article in the trade agreement, such article is being imported in such increased quantities—

Please mark the words "increased quantities"—

and under such conditions as to cause, or threaten, serious injury to domestic producers of like or similar articles, the United States shall be free to withdraw the concession, in whole or in part, or to modify it, to the extent and for such time as may be necessary to prevent such injury.

The order provided that the United States Tariff Commission "upon the request of the President, upon its own motion, or upon application of any interested party when in the judgment of the Tariff Commission there is good and sufficient reason therefor, shall make an investigation to determine whether, as a result of unforeseen developments and of the concession granted on any article by the United States in a trade agreement containing such a clause, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles."

As the Senator from Michigan [Mr. VANDENBERG] pointed out yesterday, there, again, is a complete admission that noninjury to domestic producers is the goal toward which we should work. It is the goal toward which we are working when we ask for the reenactment of the peril-point procedure.

It was provided that the Tariff Commission, if it should find such injury or the threat of it, should recommend to the President, "for his consideration in the light of the public interest, the withdrawal of the concession, in whole or in part, or the modification of the concession, to the extent and for such time as the Tariff Commission finds would be necessary to prevent such injury."

The President, as Senators doubtless have noted, provided escape procedure but did not provide procedure for establishing the peril points in the first instance—prior to the negotiations. The authors of the order were preoccupied with retreiving blunders, not with avoiding them.

The order called for fire extinguishing on an "if, but, or maybe" basis—not for fire-preventing measures.

Placing full reliance on escape-clause procedure obviously softens the will for tough and realistic bargaining at the time the deals are made. No commander ever led his troops to victory by issuing orders on the eve of battle putting the main emphasis on plans for retreat.

The President's escape-clause procedure left untouched the basic problem of making sound agreements to start with.

I doubt whether anyone would deny that escape-clause procedure, wisely prescribed and applied, can be a useful backstop measure against mistakes in concessions made at the time of negotiating the trade agreements.

But it will be demonstrated in some detail, because the matter is important—the opposition puts practically its entire case on the alleged efficacy of the escape clause—that escape-clause procedures as prescribed in Executive Order 9832 are inadequate for the intended purpose, are harmfully restricted, and, under some circumstances, not difficult to foresee, they could completely destroy the whole reciprocal trade-agreements system.

The refusal at that time of the President to accept procedures that would give him a focused and expert reminder by the Tariff Commission of sound limits of concessions to be in his hand at the time of negotiation, foreshadowed the later testimony at the hearings that the promised calculated safeguarding was in fact the servant of calculated risks to promote numerous unauthorized, extraneous purposes.

The continued complaints of domestic producers, despite Executive Order 9832, and testimony of State Department officials confirming their validity, led to the enactment of the peril-point provisions of the Extension Act of 1948.

At the 1948 hearings before the Senate Finance Committee, Mr. Will Clayton, then special adviser to the Secretary of State, repeatedly declared that calculated risks were being taken.

For example on page 30 of the record of hearings of the Senate Finance Committee on House bill 6556 of 1948, he said:

My point simply is this, that in order to accomplish certain purposes which I have named you may have to take some calculated risks.

On the next page of the same record appears the following:

The CHAIRMAN. Then you would take the calculated risk. This is a very important

question because we are going to come to the escape clause. You would take the calculated risk and look to the escape clause for protecting American industry.

Mr. CLAYTON. Yes. That is the only way you can do it, Mr. Chairman. That is the only way you can do it unless you want to have exorbitant tariffs.

Later on in these remarks it will be brought out fully but let me now state parenthetically that the Tariff Commission, a bipartisan board, recently made peril-point recommendations involving 449 items for the consideration of the President in connection with concessions which might be made at the conference now in progress at Annecy, France, and there is not a hint in the testimony of the Commissioners who appeared that the points so established represented exorbitant tariffs.

Why should they be exorbitant unless a tariff that will safeguard our domestic producers from serious injury or the threat of it is so considered?

At another point in the testimony, Mr. Clayton revealed that calculated risks are taken in order, as he put it, "to achieve an over-all desideratum." He said—and I am reading from the 1948 hearings before the Senate Finance Committee on House bill 6556, page 52:

If there are those cases where we take some calculated risks in order to achieve some over-all desideratum, and we find we are wrong, we have a protection here in the escape clause, so the mistake, if it occurs, can be corrected.

At an earlier point in the same record, on page 18, Mr. Clayton had outlined some of these over-all desiderata. He said:

No concession is recommended unless it would, in the judgment of the members (he is talking about the Interdepartmental Committee), leave adequate protection for domestic industry against a serious injury.

The parentheses are ours.

This would have had a soothing and heartening quality had Mr. Clayton stopped right there. Had he stopped right there he would have been in step with the repeated and unqualified Presidential noninjury assurances which I have documented for you and which had been accepted by the Congress and had motivated prior extensions of the Reciprocal Trade Agreements Act.

But Mr. Clayton did not stop there. He quickly escaped from the clean-cut nature of this assurance. In doing so, as will be seen, he denuded it of its predominating quality. He left it an unchampioned and anonymous guest at the conference table of the Interdepartmental Committee, where it was exposed to and beaten down by the elbowing and jostling of special pleaders for other goals.

Mr. Clayton went on to say, and, mind you, he was talking about safeguarding the American producers:

Equally, however, no concession is recommended unless it accords with the security interests of the country, with the interests of agriculture, of consumers, and, more broadly, with the over-all foreign economic policy of the United States. On the other side, the probable bargaining value of particular concessions must also be considered. That is, no factor, least of all domestic welfare, is disregarded, but all are weighed together by the entire group, each agency having an equal voice in all decisions.

The entire group referred to by Mr. Clayton included such agencies as the State Department, Commerce, Labor, the National Military Establishment. The representatives of those agencies making up the Interdepartmental Committee did the "weighing" referred to by Mr. Clayton. They were the official weighmasters. They put domestic producers in the scale and balanced their welfare against the different, often conflicting, and often shifting objectives of those departments.

The State Department, for example, as one of the weighmasters, could weigh its thumb in favor of secret diplomatic deals—in behalf of that hodgepodge of indigestible opportunisms and expediencies, forced upon us in part by the nature of the times, which Mr. Clayton bravely described as the "over-all foreign economic policy of the United States."

I repeat, the "over-all foreign economic policy of the United States." I would be tempted to give a month's salary to some pet charity if someone would give us a clean-cut, clear outline of what is this "over-all foreign economic policy of the United States."

The Department of Commerce as one of the weighmasters is preoccupied with removing barriers to our export business, and in figuring the extent of import concessions for export advantage, might weigh its thumb accordingly.

Our Military Establishment is one of the weighmasters. When operating at the best level of military statesmanship the Military Establishment would stand adamant for undamaged and vigorous domestic production. But it has conflicting interests. It is interested in building up military stock piles and it might, for example, weigh its thumb, as it has done, in behalf of foreign minerals kept excessively cheap in our market by excessively low tariffs.

Then there are votes in persuading people that as consumers they are a class apart from the productive life of the Nation and should be able to buy goods at prices on the short side of what is fair to the domestic producer. Mr. Clayton's statement indicates that someone on the Interdepartmental Committee is to look after the consumers' interests and this particular weighmaster might be tempted to weigh his thumb in behalf of the aberration that we can consume without producing.

The resulting melange of compromise of the differing objectives of the departments measured the degree of safeguarding which domestic industry received prior to the adoption of the peril point procedures. This strange dish concocted by so many ambitious and not always skillful cooks was supposed to be palatable because it was labeled a "calculated risk."

The senior Senator from Michigan [Mr. VANDENBERG], who sits before me, I am sure will recall that yesterday I suggested that we retire for a long-earned rest the phrase crippling amendments. Now I am going to suggest that it is about time to retire for a much-needed and overdue rest the phrase calculated risk. When any agency has a trick package of goods to sell to Congress which it cannot justify on merit, its barker dangles it before our bedazzled eyes and gaping mouths as a calculated risk.

Psychologically, that technique of selling is supposed to shame our doubts. It is supposed to transform timidity into swaggering recklessness. It is supposed to feed what is supposed to be the yearning of the prudent for that bold look.

An accidental risk, one which matures and was not calculated is bad enough, but why a public official should preoccupy himself with calculating risks against his constituency, against the pay rolls and welfare of the people of his country, surpasses all understanding.

Prior to the Extension Act of 1948 no one was especially charged with looking after the interests of our producers. Under that act the Inter-Departmental Committee continued to make its recommendations to the President as to the concessions which it concluded should be granted and sought. But the President in making his decisions had the benefit of the new focused remainder of the Tariff Commission of the peril points which in the opinion of that agency could not be exceeded without seriously injuring domestic industry.

Under the Extension Act of 1948, the President has the opportunity to choose calculated safeguarding rather than calculated risk. He was presented by that act with a better opportunity to keep his promise that domestic producers would not be subjected to serious injury or the threat of it.

Proceeding with the reasons for the adoption by Congress of the peril-point procedures, Congress has shown some irritation at propaganda campaigns of executive departments, at the taxpayer's expense, intended to influence congressional action. There is a law against it. But these departments are resourceful.

A citizens' committee for reciprocal world trade was formed and operated last year to propagandize the American people against the slightest change in our reciprocal trade-agreements legislation. That committee was formed under the encouragement of the State Department. The spokesman for that organization declared at the 1948 hearings of the Senate Finance Committee on H. R. 6556, the bill then before us, as appears at pages 185–186:

I believe, Senator, if a concession would bring about enhanced national prosperity and welfare on an over-all basis, if one of the factors, one of the results, might be some injury to a particular domestic industry, that would not necessarily preclude the wisdom of a decision to make the concession.

* * * * *

I would say, again to repeat what I said to your earlier question, that if in a particular instance it were determined on an over-all basis, considering all aspects of the matter that a reduction might cause injury to a particular individual domestic industry, but larger beneficial results might thereby be obtained, I would personally think that a concession would be desirable under those circumstances.

The witness was asked whether that was the viewpoint of his organization. He replied:

I think that is the position that the committee takes.

We get some of the bilious flavor of this philosophy when we remember that such a determination—a determination to sacrifice one industry for the benefit of another—would be made in secret and that the exterminated domestic industry would have no opportunity to justify its pay rolls, its investment, its social and community values. It would have no appeal and no compensation. It is a doctrine often denied, it is seldom so candidly admitted. But it rationalizes the doctrine of "calculated risk."

Mr. VANDENBERG. Does the Senator wish not to be interrupted?

Mr. MILLIKIN. No; I am glad to yield to the Senator from Michigan.

Mr. VANDENBERG. It seems to me the point the Senator now makes is extremely important, because under the peril-point amendment which the Senator has offered, if the President of the United States thinks he has a sound reason to do the precise thing which this witness recommended, he still has the authority to do it, if he is willing to take the responsibility for telling the American people and the American Congress why he did it, and undertake to prove that this over-all judgment made him believe that the concession was desirable in spite of its effect upon a particular industry. The point I cannot overemphasize, because I think it answers 90 percent of the attacks upon the Senator's position, is that instead of requiring that the peril-point philosophy shall be mandatory, the Senator's proposal is sufficiently sympathetic with the total objectives asserted by the authors of reciprocal trade agreements still to leave an opportunity for the free exercise of Executive discretion if the Executive is willing to take the public responsibility before the people and the Congress for the concession he has made.

Mr. MILLIKIN. The distinguished Senator is exactly right. And why should not the President be willing to do so? Whenever the President of the United States takes the responsibility of injuring a domestic industry why should he fear to tell the American people, unless his reason is insufficient? The White House, as I said before, is the best sounding board in the world. If the President has a good reason, the people will back him up, and if he has a bad reason he should be condemned.

The official admissions in 1948 of the substitution of calculated risks for the promised assurance that the domestic producer would not be allowed to suffer serious injury or the threat of it were officially repeated and given added emphasis and larger definitions during the hearings this year before the Senate Finance Committee and before the House Ways and Means Committee on the pending bill, H. R. 1211.

Mr. Oscar Ryder, Chairman of the United States Tariff Commission, has been a member of the Interdepartmental Committee which recommends tariff concessions to the President. He was a delegate to the Geneva Conference where we entered into the Geneva Multilateral Trade Agreement and he took an active part in some of the negotiations.

Mr. Ryder favors the enactment of H. R. 1211 because he conscientiously believes in the doctrine of "calculated risk" and desires the return of legal authority to give it effect. He believes that we should trade import concessions falling within a so-called range of injury but falling short of complete assurance of injury for expert concessions. He puts it this way—1949 hearings, Senate Finance Committee on H. R. 1211, page 805:

Thus in my view there is no discoverable peril point, certainly not discoverable in advance. There is instead what might be called a danger zone, within which the lower the duty is reduced the greater the risk of injury to domestic industry. My view of what should be done is to weigh the increased risk of injury on any article with respect to which domestic industry is encountering or likely to encounter substantial import competition against the benefits to be obtained from the concessions which might be received in return for reducing the duty.

On page 812 of the same record of hearings is the following:

Senator MILLIKIN. I suggest, then, that your proposition is that you will balance that calculated risk against possible benefits.

Mr. RYDER. Yes.

And on page 826, the following:

Mr. RYDER. No. I said that you would weigh the increased risks by the increased benefits that you are getting and you will come to a decision. I think that is the only way it could possibly be done.

Senator MILLIKIN. That coincides with my impression of your testimony.

Normally, when the patient's pressure reaches the upper limits of safe tolerance, the doctor concentrates his efforts on lowering it. In all events, the doctor aims to keep the patient out of the danger zone which commences when the upper limit of safe tolerance has been exceeded and which ends with apoplexy.

But these are not the practices of our trade doctors when they are unrestrained by peril-point procedures. They say they aim to stop short of the massive hemorrhage but will take calculated risks within the danger zone leading to it.

This is somewhat different from the unequivocal Presidential assurances that domestic producers will not be subjected to serious injury or, mind you, please, the threat of it.

Perhaps the chief doctor had better take a look and see what the interns are doing.

The following is from the 1949 testimony of Mr. Will Clayton, appearing as a witness before the Senate Finance Committee, on H. R. 1211—1949 hearings, pages 172–173:

Senator MILLIKIN. Your thesis in making these trade agreements is that we have to take a calculated risk, and having taken the calculated risk, if we made a bad deal we get out with the escape clause?

Mr. CLAYTON. That is right; and I add to that that we have not made very many bad deals yet, as the record shows we have made but few, and I really do not know of any.

This was last February.

Senator MILLIKIN. Of course, you would not suggest that we are in a period of time where that can be tested.

Mr. CLAYTON. We are getting there awfully quick.

Senator MILLIKIN. That is what is worrying me.

Mr. CLAYTON. And we have been getting there for the last 12 months, and I think we have gone long enough to have developed trouble if there had been any.

That was last February.

We may develop some trouble in the future; and if so, I am sure it will be dealt with properly.

In a few moments the torrential development of trouble of the type referred to but hardly anticipated by Mr. Clayton will be outlined and also what has been done to deal with it, to wit, exactly nothing.

Mr. Willard L. Thorp, Assistant Secretary of State for Foreign Affairs, appeared before the Senate Finance Committee as the chief witness of the Executive Department in support of H. R. 1211 and to criticize the Extension Act of 1948.

He expressed dissatisfaction with the role of the Tariff Commission assigned to it by the act of 1948 in determining and recommending to the President the limits on concessions which in the opinion of that Commission should not be exceeded if we would avoid serious injury or the threat of it to our domestic producers.

I quote Mr. Thorp's complaint, taken from a prepared statement—1949 hearings, Senate Finance Committee, H. R. 1211, pages 3–4:

The determinations by the Commission (under peril-point procedures) are to be made without regard to any national or international considerations, such as benefits to be obtained from other countries, long-term needs of our economy for expanding markets, the necessity of obtaining the best possible use of domestic resources, including consideration of conservation, possible strategic considerations, and the possible repercussions of our actions upon policies of other countries toward us.

Obviously, by defining in terms of criticism the matters which the Tariff Commission does not consider under peril-point procedures, Mr. Thorp, as chief witness for the Executive Department, tells us what should be considered, and thus he spells out for us the official qualifiers to the assurance that domestic producers will be safeguarded against injury or the threat of it.

Let us separate and then give separate attention to these qualifications by Mr. Thorp of the promised safeguarding rule:

First. The safeguarding rule should be qualified for "benefits to be obtained from other countries" and in the interests of the "long-term needs of our economy for expanding markets."

Clearly it is a basic and commendable purpose of our reciprocal trade system to expand our markets, but this objective is entirely consistent with affording fair opportunity for our domestic producers to get into our domestic market. It does not require qualification of the

safeguarding rule unless it is in mind to swap injury to one domestic industry for the benefit of another. And there are no odds in that so far as the welfare of the over-all economy is concerned.

As we have seen, President Roosevelt, in asking for the Reciprocal Trade Agreements Act of 1934, put it this way—message to Congress of March 2, 1934:

> The exercise of the authority which I propose must be carefully weighed in the light of the latest information so as to give assurance that no sound and important American interest will be injuriously disturbed. The adjustment of our foreign-trade relations must rest on the premise of undertaking to benefit, not to injure, such interests. In a time of difficulty and unemployment such as this the highest consideration of the position of the different branches of American production is required.

Second. The safeguarding rule, according to Mr. Thorp, should be qualified to serve "the necessity of obtaining the best possible use of domestic resources."

Nijinsky never executed a grand jetté rivaling this leap into undelegated power. There is nothing in the Reciprocal Trade Agreements Act of 1934 and there is nothing in any extension of it that makes the reciprocal trade system a vehicle for obtaining "the best possible use of domestic resources."

I think we may all readily agree that the best possible use of our domestic resources should be made, but there are many questions as to what are the best possible uses and how to put them into effect, and who is to put them into effect.

But the recognition of the desirability can hardly be taken as a delegation of power.

I believe the general opinion around here is that reciprocal trade should deal with commodities after they are produced and under the way they are produced; that those administering the system have not been charged with responsibility, and that it is not desirable to charge them with responsibility as a part of the reciprocal trade system, of judging whether to grant or deny concessions on the ground that the particular commodity represents the "best," "good," "indifferent," or "bad" use of our domestic resources.

If we would socialize our resources, or regiment them to the degree necessary to assure their best possible use, perhaps the Congress might want to have something to say about it, might want to establish the law and set the standards for doing it, and if you please, might not want the subject to be under the administrative direction of the State Department.

Third. The safeguarding rule should, according to the official witness of the executive department, be qualified by "the consideration of conservation."

I am sure that it will come to at least some of my colleagues, especially those from the West, with a sense of painful surprise to learn that those having responsibility in the field of reciprocal trade consider themselves as the Nation's lawfully appointed guardians of "conservation" and that the State Department is the administrator.

This is only one of a number of signs that the proboscises of a number of these gentlemen are getting too long and that legislative surgery is indicated.

Fourth. The safeguarding rule should, according to the witness for the executive department, be qualified by "possible strategic considerations."

Here we touch on something which might have overriding importance. But the questions remain, has a power of such scope, of such damaging possibilities to domestic producers, been conferred, or should it be construed out of that which has been conferred or should it be executed in secrecy and without standards imposed by Congress? The reminder is not out of place that we are supposed to have protections against taking private property for public use without compensation.

Fifth. The safeguarding rule, should, according to Mr. Thorp, the witness for the executive department, be qualified by the "possible repercussions" of our actions upon policies of other countries toward us.

Here we have another explicit confirmation of the charge so frequently made that safeguarding the American producer against serious injury or the threat of it is subjected to the opportunisms, the shifting demands, and the logrolling of our diplomacy. No standards; no hearings in the real sense of the term; secrecy; calculated risks against the jobs of our workers and our productive machinery because as a part of our diplomacy we want to "win friends and influence people."

How well we know that our foreign relations cost money. But since the results, for better or worse, benefit or afflict all of the people, should not those costs be borne out of the general revenues of the Federal Government?

To say that by secret decisions of our tariff tinkers the cost of our foreign relations, or any part of them, shall be met by liquidating or endangering any segment of our domestic producing interests, is to assert something which on the face of it is revoltingly arbitrary, is indefensible as a matter of policy, and which, of course, is without the slightest authority of law.

In questioning Mr. Thorp regarding the stability of the promised simple test of safeguarding domestic industry against serious injury or the threat of it, the following developed—1949 hearings, Senate Finance Committee on H. R. 1211, page 16:

> Mr. THORP. The present law is unduly restrictive because it requires the Tariff Commission to fix a specific point at which black turns into white. That is an impossible exact point to determine. Below that are points of varying degrees of injury and threat. And in determining what shall be the limits on the negotiation, it has seemed to us, and it has worked this way, that one should consider the degree of threat to domestic industry. And, along with that, the other elements which I have mentioned here.
>
> Senator MILLIKIN. These elements that you have mentioned?
>
> Mr. THORP. That is right.
>
> Senator MILLIKIN. So that you include these elements in reaching that test.
>
> Mr. THORP. In reaching the limit which is set for the negotiators.
>
> Senator MILLIKIN. That is exactly what I am getting at. The present law is unduly restrictive because it does not require, in reaching the peril point, consideration of these matters.
>
> Mr. THORP. It doesn't permit them to be taken into account.
>
> Senator MILLIKIN. It does not exclude them, either, does it?
>
> Mr. THORP. I had thought it set a particular standard. I would have to check the exact standard.
>
> Senator MILLIKIN. No; it does not. But, Mr. Thorp, I repeat again: I think we now have an answer to what I have been driving at. You would consider all of these other matters in reaching the peril point.
>
> Mr. THORP. In reaching the point which would represent the maximum which the President would authorize for the negotiators?
>
> Senator MILLIKIN. That is right. In reaching that maximum, you would take all these other things into consideration.
>
> Mr. THORP. This, of course, is subject to the fact that in reaching that point it must be borne in mind that it never is a point beyond which there is an assurance of threat to an American industry.
>
> Senator MILLIKIN. All that I am driving at is that if you had your way you would consider all of these matters in reaching the point below which you believe you should not go.
>
> Mr. THORP. That is correct; with an upper limit, which I have described.
>
> Senator MILLIKIN. Regardless of limit, you would consider these points, would you not?
>
> Mr. THORP. Yes; those points would all be considered.
>
> Senator MILLIKIN. Those points, under your view of it, should be considered and given weight in reaching the peril point. And because the present law does not require that, you say that it is unduly restrictive. Is that not your argument?
>
> Mr. THORP. Those are considered in reaching the limit which the President should authorize for his negotiators.

From the same hearings, page 9:

> Senator MILLIKIN. Directing your attention to the hearings which were held before this committee last year, on June 1, 2, 3, 4, and 5, page 52: The chairman was interrogating Mr. Clayton. Down toward the bottom of the page, Mr. Clayton says:
>
> "We don't profess to have any sure way of finding it, Mr. Chairman. We don't attempt to find it with absolute certainty, because we know we can't. But what we do say is that if there are those cases where we take some calculated risks in order to achieve an over-all desideratum, and we find we are wrong, we have a protection here in the escape clause, so the mistake, if it occurs, can be corrected."
>
> Would you say now that you do not take calculated risks?
>
> Mr. THORP. I have not said, Mr. Senator, that there are not calculated risks; because this is all an area of uncertainty. But what I have said is that we do not take such action where we believe that there is a threatened injury to a domestic industry. This is a matter of judgment, on a scale of probabilities.
>
> Senator MILLIKIN. But is the safeguard test the test? Or do you subject that test to other considerations?
>
> Mr. THORP. The safeguard test is a very important element in the decision.
>
> Senator MILLIKIN. But not the single test?
>
> Mr. THORP. No, there are many tests that are involved before one decides on a total negotiation.
>
> Senator MILLIKIN. I invite your attention to the fact that there are no exceptions carved out of any of those communications from either President Truman or President Roosevelt.

Mr. THORP. That is correct. I do not think I have been inconsistent. I have said that was not the only test. There are other tests as well.

Before the House Committee on Ways and Means, Mr. Thorp made the following statement in support of H. R. 1211—1949 hearings, page 6.

Watch this one, Mr. President and Senators:

Under the act which the President has requested—

That is the bill now before us—

every officer concerned will be mindful of the need to safeguard the American economy, but at the same time we shall have a clear mandate to broaden the bases of United States foreign trade, to create purchasing power for American exports, and to guide the economy as a whole into the most productive lines possible.

This puts the ribbon around the package.

H. R. 1211, the bill which we are asked to approve, gives to "every officer concerned," according to Mr. Thorp, the principal witness of the executive department, a "clear mandate to guide the economy as a whole into the most productive lines possible."

I suggest that someone has been reading Mein Kampf instead of the Reciprocal Trade Agreements Act.

This is not a rhetorical extravagance tossed off by Mr. Thorp in the heat of debate. It is a part of a carefully prepared formal statement. Besides, it explains too many things, fits too many patterns of past action and of future ambitions, to warrant its dismissal as an unhappy slip of the tongue.

The clear mandate to guide the economy as a whole into the most productive lines possible which Mr. Thorp says is to be found in H. R. 1211, is the summed up reason for the calculated risks and the qualifications to the safeguarding rule which have just been noted.

The alleged mandate in H. R. 1211, relates itself naturally to grandiose and unauthorized planning, ambitions, national and international. It relates itself naturally to the arrogation of power in committing this country, without congressional approval or lawful authority of any kind, to those provisions of the proposed charter for ITO and of the multilateral trade agreement made at Geneva last year which, indeed, and in all truth, would guide our economy as a whole, but not into the most productive lines possible, I respectfully suggest.

The words of H. R. 1211 do not authorize or suggest such dictatorial flamboyance. The words of H. R. 1211 do not establish a new revolutionary code or mandate for the guidance of our economy. The bill would simply extend our Trade Agreements Act with provisions which would prevent reestablishment of the peril-point procedures prescribed by the Extension Act of 1948, and would make some other minor amendments.

But the point is not what the words say. The point is what Mr. Thorp and the other officials who make our trade agreements think they say.

The Reciprocal Trade Agreements Act of 1934, as heretofore extended, is entirely free of language which could possibly springboard a mandate, even if constitutional authority could be found for it, to guide the economy as a whole into the most productive lines possible.

But that is not the point. The point is what Mr. Thorp and the camarilla of executive officials who make our trade agreements think the act says.

They think that the peril-point procedures interfere with what they claim would otherwise be their clear mandate, under the Reciprocal Trade Agreements Act, to guide the economy as a whole into the most productive lines possible. That is why they oppose the peril-point procedures.

It is impossible to think of a better or a more exigent reason for preserving the peril-point procedures than that urged by Mr. Thorp for opposing them. And so I pass to the next subject.

Mr. CORDON. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. WHERRY. Mr. President, I ask unanimous consent that the suggestion of the absence of a quorum may be withdrawn, that the order for the quorum call be rescinded, and that the Senator from Colorado be permitted to continue his speech.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Nebraska? The Chair hears none, and it is so ordered.

Mr. LUCAS. Mr. President, will the Senator from Colorado yield in order that I may make a brief announcement?

Mr. MILLIKIN. Certainly.

Mr. LUCAS. Mr. President, Senators have made inquiry of the Senator from Illinois regarding a Saturday session. I am reporting at this time that there will be no session next Saturday, and that when a recess is taken tomorrow it will be until Monday. It is the hope of the majority that the debate on the trade-agreements bill may be concluded next week. Whether that can be done, of course, no one knows. I want to thank the distinguished Senator from Colorado for his cooperation up to this time, looking forward to the day when we may be able to vote upon the first amendment, which is the peril-point amendment which the Senator has been discussing. He has assured me that after the general debate takes place on the amendment, he has no hesitancy in attempting to get a unanimous-consent request to vote upon the peril-point amendment at some time which is agreeable to all.

Mr. MILLIKIN. I shall be very glad to do that.

Mr. LUCAS. I thank the Senator from Colorado.

IV. INJURY AND THREATS OF INJURY TO OUR AMERICAN PRODUCERS

Mr. MILLIKIN. Mr. President, I shall now discuss the injury and threats of injury to our American producers.

What is offered in defense of the substitution of calculated risk for assurance against serious injury or the threat of it?

We are told that there has been no injury, there has been no threat of serious injury, and that if these should develop, they can be remedied by use of the escape clauses in the reciprocal trade agreements.

What do American producers have to say about the claim of no injury or the claim of no threat of injury? After going into this, attention will be given to escape procedures.

During the past year, hundreds of businessmen and representatives of labor and agriculture have presented to Congress or to the President or the Secretary of State, or to the Tariff Commission, the injury or threat of it which they are convinced arises out of the impact of imports upon their industries and livelihoods.

Statements, applications, and appearances have been made with respect to a long list of commodities making up a cross-section of American output. I mention some of these: Tree products—apples, pears, cherries, lemons, olives, nuts; hops; potatoes; tomatoes; fish fillets, frozen fish, fresh fish, shrimp, crabs and crabmeat, salmon, tuna; sponges; wool and wool products, Angora rabbit wool; cattle, beef, fats, and oils; butter, cheese, and other dairy products; minerals such as copper, lead and zinc, mercury, tungsten; furs; watches; chinaware; glass products, glassware, glass bottles, flint glass, window glass; pottery; tile; rayon and silk; gloves; wool knit berets; clothespins; scientific instruments; woven wool felts; petroleum.

The situation as to many of these products will be developed in detail as the debate proceeds.

Here are a few of the case histories:

American watch manufacturers claim injury. When the trade agreement with Switzerland—effective February 15, 1936—was negotiated, the administration apparently was not thinking about protection from misjudgment or the development of unforeseen circumstances. That, and prior agreements, did not, and do not contain escape clauses. Even before the Swiss had received the concessions on watches contained in the agreement of 1936, a number of domestic concerns had gone out of business because of Swiss competition.

The percentage of our domestic market supplied almost entirely by Swiss imports increased from 22 percent in 1935—the year before the agreement—to 30 percent in 1936, to 40 percent in 1937, and to 52 percent in 1938—Tariff Commission report, Watches, page 19.

During the war watchmaking machinery and the skills of our watchmakers were needed and were used for the manufacture of scientific apparatus and precision instruments for military purposes. This put our domestic watchmaking industry out of the watchmaking business.

During this period Switzerland was supplying most of the world with watches and it completed its capture of the American market. Imports had already increased from 1,200,000 watches in 1935—before the trade agreement with Switzerland—to 4,300,000 in 1941, when the United States watchmaking industry turned to war work. By 1945 imports had reached 9,400,000.

After the war our watchmaking industry, in its effort to get back into business and recapture a fair share of the do-

mestic demand, was confronted with the serious tasks of retooling, retraining skilled workers, reopening its sales outlets in competition with the highly efficient sales organizations, and advertising campaigns built up and maintained out of the enormous profits made by the importers of Swiss watches during the time that they held a monopoly of the American market.

Supplying about half of our market before the war, our domestic industry now supplies about one-sixth of it.

Labor accounts for 75 to 80 percent of the total cost of making a good watch. It was testified before the Finance Committee that the average imported watch has an advantage of between $4 and $5 over a similar domestic type after giving effect to the existing tariff, and this is accounted for by the wide differential in wages between the Swiss and American watchmakers.

Here we have a case involving fundamental, easily perceived elements of fair play which have met with callous official indifference. The restoration of the American watch industry to at least its prewar position in our domestic market should be a must to every official having any power in the subject. Aside from the economic foolishness involved in allowing a great American industry to become a war casualty without the offer of a helping hand, we are allowing the skills of thousands of men experienced in precision work to rust and become unavailable in times of emergency while at the same time we are pouring out our wealth for defense preparations along other lines including some which are demonstrably less essential.

The present situation is intolerable and should oppress the conscience of all who are sensitive to fair play. It will clamor for correction until correction shall be had. A peril point in a renegotiated agreement will give the American watch producer a fair break in the American market.

Large segments of the fisheries industry assert injury, especially, those connected with the processing of fillets. In 1939 imports accounted for 9 percent of domestic consumption of fillets. The duty was reduced, effective January 1, 1939, in the trade agreement with Canada, from 2½ cents per pound to 1⅞ cents per pound and this reduction was bound in the multilateral agreement at Geneva in 1948. The increase in the general price level, including fillets, has served to further lower the ad valorem equivalent rate. The use of fillets, fresh or frozen, has increased greatly in the United States in recent years. Production has almost doubled as compared with prewar. Imports however, have taken over most of the increase—they are six times as large as prewar.

Imports of fillets are subject to tariff quotas administered on a quarterly basis. The imports within the quota receive the benefit of the lower rate of duty, those in excess of the quota pay the full 2½ cents per pound duty. The influx of fillets is so great that the quota is usually filled before the quarter is half over—yet imports flow in unchecked. The original duty of 2½ cents per pound appears to be no hindrance to imports and the volume shipped in under the quota only serves to depress the domestic price and to give a "bonus" to the foreign exporters who may charge full price and benefit by the lower duty.

American fishing concerns do not have many of the advantages of the fishermen of the other countries. The principal fishing areas are closer to foreign shores—a burdening cost factor. American costs are also higher because of wage differentials and for other reasons.

No Government aid, by way of subsidy or low cost loans, is granted to domestic fishermen.

There is discouragement and apprehension in the industry. A substantial cutting back of investment is under way; American ships are being sold, often to foreign competitors. Fishermen are turning to types of employment which they consider less desirable. As yet there has not been widespread unemployment. These fishermen are hardy and by part-time employment and outside odd jobs, most of them who have been caught in the squeeze have managed to keep off of the rolls of the unemployed. But from month to month the standard of living is declining as they attempt to hold as best they can an untenable competitive position brought on by this Government's refusal to maintain fair tariffs.

The fur industry is the oldest, and yet one of the newest in the United States. The early exploration of our country was a direct result of a search for furs of wild animals and for a long time this was America's chief industry.

In more recent years, fur farming has come into existence as an important branch of our agricultural economy. The average fur farm is owned and operated by a family unit and large numbers of farm families are dependent, or have been dependent, on their income from furs. Our own Department of Agriculture suggested to returning war veterans that they enter the fur-raising business and aided hundreds of them to get started.

Most types of furs are entered here free of duty. Silver fox, whether dressed or undressed, are dutiable at 37½ percent, reduced from 50 percent in the Canadian agreement of January 1939. All other furs in their raw state—except jackal—have been bound free of duty in various trade agreements including the 1948 Geneva agreement.

Foreign governments and foreign fur growers have taken advantage of the duty-free status of most furs and have overwhelmed the American market with them. This destructive influx has been largely from Russia, a country that has refused to be a party to any trade agreement but which takes full advantage of our most-favored-nation policy. Prices have fallen so much that foreign growers as well as those in the United States have been seriously injured.

Here we are taxing our citizens, including the fur farmers, to support a budget of more than $20,000,000,000 a year to contain the Russian menace abroad while those who manage our trade affairs allow it to ruin in this country a substantial segment of our agricultural economy.

Off the record: We seem to be loaded for bear every place except in our back yard.

Imports of undressed furs, except silver fox, amounted to less than $50,000,000 in 1939—in 1946 imports had increased to about $236,000,000. The market collapsed in 1947, but in 1948 imports amounted to $162,000,000 and accounted for two-thirds of all fur sales in this country.

In 1939 there were approximately 3,000 silver fox farms. Now there are less than 500. In 1947–48 there were over 6,000 farms producing mink. Over 1,000 of these had failed by the first months of 1949 and the inability to compete with Government-sold Russian furs and those from other low-cost countries is driving hundreds of domestic producers to the wall every month.

These matters are familiar to Members of Congress from complaints of distressed fur farmers. The Congress has appropriated money for loans to assist the American fur growers but the stricken condition of the industry makes it almost impossible to find acceptable security.

Attention to peril points when the controlling trade agreements were made, would have saved this ruined industry. Attention to peril points when these agreements are renegotiated will restore this ruined industry.

During the early 1930's competition from imported copper began to have a serious effect on domestic producers. The Revenue Act of 1932 levied an import tax of 4 cents per pound which continued until March 31, 1947, when it was temporarily suspended. The suspension had wide support in the Congress because it was recognized that under the situation then prevailing, our domestic production was unable to satisfy domestic demand.

That suspension, unless removed earlier by congressional action, will end June 30, 1950. However, during the negotiations at Geneva in 1947 with Chile, the 4-cent tax, although then suspended, was reduced to 2 cents to take effect when and if the suspension was ended.

Under the suspension, imports increased rapidly. Comparative figures are: 1946 imports were 354,000 tons; 1947, 453,000 tons; 1948, 485,000 tons, and the imports for the first 6 months of 1949 were at the rate of 620,000 tons for the year.

The price of copper dropped from 23½ cents per pound in the latter part of 1948 to 16 cents per pound during the second quarter of 1949.

Lead, dutiable in the act of 1930, at 2⅛ cents per pound, was reduced to 1⅛ cents per pound in the Mexican agreement effective January 30, 1943, although at the end of the national emergency the duty is to revert to 1.7 cents. All duties on lead were suspended by congressional action from June 20, 1948, to June 30, 1949. Imports of lead amounted to about 95,000 tons in 1939. In 1948, they were nearly 319,000 tons. For the first 6 months of 1949 they are at the rate of 540,000 tons per year.

The price of lead dropped from 21½ cents per pound in the latter part of 1948 to 12 cents during the second quarter of 1949.

The duty on zinc was reduced from 1¾ cents per pound to seven-eighths cent per pound in the Geneva agreement following negotiations with Canada.

Imports in 1939 amounted to less than 75,000 tons; in 1948 they were 277,432 tons and the rate of imports in 1949, if sustained, will result in 290,000 tons for the year.

The price of zinc dropped from 17½ cents per pound in the latter part of 1948 to 9 cents per pound during the second quarter of 1949.

Within the last few weeks there has been a slight recovery in the prices of these metals.

The duties on these metals are only a fraction of the differential necessary to equalize average costs and this accounts for the substantial increase of these metals in the American market.

In 1949 these imports, together with domestic production in a receding economy, produced substantial surpluses in these metals and this accounted for the precipitous drop in prices which has been noted. In the absence of any control over the imports, domestic producers had no alternative but to bear the brunt of the declines in market demands with the result that all but the lowest-cost producers went out of business, went on a short-workweek basis, or negotiated reduced wage contracts.

The import excise tax on crude petroleum was reduced from one-half cent per gallon to one-fourth cent in the trade agreement with Venezuela effective December 1939, although the reduction was to apply only to imports amounting in volume to 5 percent or less of approximate United States consumption. However, in the agreement with Mexico, effective January 1934, this tariff quota was removed and the reduction applied to all imports regardless of volume. The import taxes on topped petroleum and petroleum products were either reduced by 50 percent or prior cuts were bound in the general agreement made at Geneva in 1947.

Imports increased substantially after the 1939 cut and, in 1947 and 1948, grew to such proportions that, even though domestic production had also increased, domestic output had to be curtailed. The threat of a shortage, especially of fuel oil, following the severe winter of 1947–48 caused the domestic producers to increase output and facilities. Increased production, greatly increased imports, and a comparatively mild winter in 1948–49 created a substantial surplus.

There has been an official domestic cut-back in domestic crude oil production of approximately 900,000 barrels a day—although this situation may be relieved somewhat within the next month or so to allow for winter fuels. This forced decline in domestic output amounts to 16 percent, and the resulting unemployment constitutes a great hardship on thousands of employees.

For example, 26.7 percent of Texas production is shut in; California, 4.6 percent; Oklahoma, 14 percent; Kansas, 17.9 percent; Wyoming, 11.8 percent; New Mexico, 9.1 percent; Mississippi, 23.7 percent; Arkansas, 12.3 percent; Michigan, 11.7 percent; New York and Pennsylvania, 9.1 percent.

It has been estimated that over 10 percent of the workers, numbering some 25,000, of the approximately 250,000 total employees in production, transportation, and refining of domestic oils have been laid off.

All this time, while domestic output has been greatly cut back and thousands of employees are without work, imports are pouring into this country in increasing amounts. Imports in the month of May averaged 598,000 barrels a day—in June the daily average import was 640,000 barrels. We force a curtailment of domestic output but take no action of any kind to restrain imports.

About 28 percent of our crude oil imports are coming from the Middle East. Those imports have the benefits of flush production, and it is estimated that the cost of this oil at the well including royalty, is about 50 cents a barrel. The cost of landing this oil on our seaboards is about $1.10 a barrel. Average cost in the United States of domestic oil is probably in the neighborhood of $2.50 per barrel. This Middle East oil landed at our seaboards probably carries cost differentials in the neighborhood of 80 cents a barrel. From this it can be seen that the duty now in effect of 10½ cents a barrel is utterly inadequate.

Here again we have a domestic industry which at all times must be able to sustain our economic and military needs for oil. It appears that we have forgotten this even before the reminders of sunken tankers have disappeared from our shore lines. We have forgotten this although it takes no special prescience to know that supplies of oil from the Near East will be the first to go in a war.

There seems to be no understanding among our tariff makers of the time, patience, risks, skills, and money involved in extending our known oil deposits and in finding new ones. Those who fool around with our import policies apparently go on the theory that our domestic oil supplies can be controlled by spigots in the hands of bright boys in the Government service.

They do not seem aware of the fact that shut-in oil is often oil lost forever. They do not appreciate that capital will not take the enormous risks and men will not devote their energies to the enormous risks in exploring for oil unless there is an assured market. They are indifferent to the human pay-roll factors, to the blighting effects of shut-ins on communities built on oil production.

We risk our defense and economic strength on the phobia that we can risk the liquidation of domestic production which can be produced cheaper abroad. The lessons of oil and sugar, metal and rubber during the war have not penetrated that chrome-armored obsession.

These excessive oil imports strike hardest at our independent petroleum producers, consisting mainly of the smaller units of the industry. In the larger units losses in one department can sometimes be made good from profits in the others. The little oil producer does not have those cushions. The largest of our oil producers are not only completely integrated here at home but they have their production sources both here and abroad and thus "what they lose on the peanut, they gain on the banana." As they increase their imports of low-cost oil with the demoralizing results which have been noted, they enhance their already large powers over our domestic oil industry.

The economic health of about half of our States depends upon their production of primary products such as oil and metals which can be landed here from abroad cheaper than they can be produced in those States. This is especially true of most of our Western States, but it reaches everywhere. It applies also to a long list of commodities, including dairy products, livestock, and wool.

The time has come, I respectfully suggest, to put a curb on the strong influence in our Government of these upside-down thinkers. Keeping within peril points in our reciprocal trade agreements will give our primary producers a fair chance at the American market.

But if there were no present injury that fact would not discharge our responsibility and warrant support of H. R. 1211 unless we would limit our legislative activity to relief of disasters which have matured, and to the techniques of Government by autopsy.

The practice of taking calculated risks and of reducing our tariffs without assurance of compensating advantage—I am talking about assurance as distinguished from hopes—has built inevitable injury and the threat of it into our trade agreements.

This practice is a burning fuse to disaster. It may be a long one or a short one, but neither kind is comforting to those who have to sit on the powder keg.

When the immediate injury is not there, the threat is there. The apprehensions of producers threatened with injury are not dispelled by the Mortimer Snerd fatuity, "You haven't been hurt yet, have you?"

There is an old wheeze which disposes of this type of argument. A man fell off a 10-story building. As he was plunging past the second floor a friend looking out of the window recognized the falling man and yelled, "How are you, Bill?" Bill responded, "I am all right so far."

Stimulating these protests and pleas for relief from serious injury or the threat of it is the background knowledge that at the present time the general economy must take the impact of average ad valorem rates of about 13.6 percent, and an average of dutiable and duty-free items of 5.3 percent. The downward progression toward free-trade levels of our rates under the reciprocal-trade system is shown in an annex to these remarks.

The American producer is aware of the fact that one of the principal motivations of the Marshall plan was that it would aid in the integration of European production and in the establishment of unobstructed European markets to absorp European surpluses or to render them more manageable.

The American producer and worker have supported the Marshall plan, but they have not done so, and in my opinion will not continue to do so, on the theory that the United States is to be the dumping grounds for unmanageable European surpluses due to European failure to achieve integration of production, wider European markets, and convertible currencies.

The American producer knows of the failure to date of this part of the Marshall plan, and that the rapid growth of economic autarchy spells disorderly surpluses which cannot be absorbed in Europe, and that the goal is to push them into our markets, despite what remains of our tariff protection.

He knows also that to accommodate and facilitate this purpose there is active and growing propaganda, here and abroad—we see it every day—to lower these rates still more.

His discomfort is not relieved by reports that ECA officials are pointing out to European producers the hopelessness of their effort to compete in our market with our assembly lines, with our mass-production industries, and are urging heavily increased production of products, for export to this country, which involve a high percentage of labor cost.

All over this Nation we have little businesses, thousands of them, in which the principal item of cost is labor. One-factory towns—Ohio is full of them, Michigan is full of them, New Jersey is full of them—are a distinguishing characteristic of the economy and social life of this country. The industries which support those communities usually make products with high labor costs. Glass works, potteries, candy factories, knitting mills, novelty makers, are examples.

Generally speaking, the smaller the business, the larger the labor cost quotient. Small business by its nature does not have available to it the economies resulting from large capital, from integrated controls spanning the supply of raw material to the distribution of the finished products, or huge mass assembly-line facilities.

It is useful to have it fresh in mind that about 95 percent of the number of businesses in this country employ less than 250 wage earners, and that about one-half of our wage earners work in such so-called small businesses.

The producers who are to be the targets of this competition in products characterized by high labor costs, cannot escape the consciousness that the tariffs which are supposed to safeguard them from serious injury or the threat of it, are loaded with calculated risks, and that experts who have worked on the rates which are in our trade agreements openly sneer at taking into account labor cost differentials.

It is not sufficient to tell those producers and the wage earners in those small industries that they must go out of business if we want to recover our investments in Europe. Their answer to that argument is that we have not loaned or given money to other nations in order to destroy our own economy.

Remember again, please, that the American producer has been promised that in the management of our trade affairs he will be safeguarded against the threat of serious injury.

There is no threat of serious injury? How can one have the gall, or the blindness to what is going on, to make that claim?

The position of our foreign competitors in the American market, and also in foreign markets coveted by our own exporters, has been vastly strengthened by modern machinery, in many instances made in this country, and often more modern than our own, bought with our money, and served by cheap labor trained abroad by our technicians.

The American producer is well aware of the open and hidden subsidies in the export goods of foreign nations which conduct their business on State monopoly principles. Sweat shopping and in some cases austerity will be endured to get goods into our markets where the continuance of high standards of living for our own people means high wages and the avoidance of austerity.

The American producer knows that if foreign countries are ever to return to fiscal soundness or to political soundness, there will have to be foreign currency deflations of massive magnitudes. He knows of the pressures which our Government is exerting in behalf of that very objective. He knows that those currency deflations will work in the interests of the exporters of those countries, and against the exporters of this country. He knows that those deflations will radically lower the cost of European exports, and thus ease and expedite their heavily increased flow into our markets.

The producer for export and the producer for the domestic market do not operate in isolated compartments. Each draws sustenance from the other and from the whole American economy. The domestic producer for the domestic market sells his products to the workers of our exporters. It often happens that the exporter sells the bulk or a considerable part of his production in our domestic market. It follows that neither the exporter nor the producer who confines his sales to the American market, can be cavalier about the welfare of the other.

Stimulating the protests and apprehensions of producers is the knowledge that we have parted with the greater part of our bargaining ability without receiving reciprocal advantage for either the exporter, or the producer for the American market, or for the economy as a whole.

The notion that we are operating a trade system governed by true reciprocity is fantastically erroneous. While under the guise of reciprocity, we have opened our markets to the world's exports, in many instances at close to free trade levels, the foreign nation beneficiaries have circumvented their concessions by various devices, such as state trading import quotas, bilateral agreements, preference systems, import licenses, and exchange restrictions.

I am not alleging that these restrictions were put on to spite us. I am not asserting that they result from our reciprocal trade system. In most cases, if not in all, those restrictions are necessary to protect the welfare of the nations making use of them. They will be relaxed or abandoned or increased whenever self-interest prompts it, and not before.

Included among the annexes to these remarks is the following material:

First. A table supplied by the State Department showing a summary of import license and exchange control regulations in principal foreign countries—1949 hearings, Senate Finance Committee, pages 28–30.

Second. A statement on the scope of State trading, also in the hearings on H. R. 1211 before the Senate Finance Committee, pages 1335–1343.

Third. A statement regarding bilateral agreements furnished by the State Department for the record of hearings before the Senate Committee on Finance on H. R. 1211—pages 32–52.

The table supplied by the State Department, summarizing import license and exchange control regulations, lists 90 countries covering practically the entire world which take exports from us and ship goods to the United States market. Of these 90 countries, 72 require import permits on most or all commodities imported from the United States, and 69 of them require exchange permits.

A Government-controlled import permit may or may not be granted for goods shipped from the United States. Similarly, exchange permits give the foreign government complete control over its imports. The Government may not only choose as between foreign sources of imports, it may discriminate by actual types of goods and even among respective individual exporters of the United States.

Only nine of the above countries require neither import nor exchange permits. Cuba, the principal one, took only 3½ percent of our exports in 1948; the other eight combined took only 2.4 percent. The countries, therefore, which do not maintain the machinery for discrimination against goods of the United States through import or exchange permits account for less than 6 percent of our total exports.

State trading gives enormous advantage in transactions with private buyers and sellers in other countries. A government which controls all of the sales or purchases of specific commodities for import or export, is in position to set its own terms and thus runs completely contrary to the competitive advantages and functions of free private enterprise.

The statement on this subject furnished by the State Department shows that the following important countries engage in state trading, some in practically all commodities, others to a lesser degree. The more competitive the product in the world market, the more likely it is to be subject to state control. Some of the affected commodities are also listed.

Turkey: Tobacco and liquor products; minerals, sugar, cotton and woolen goods, iron, steel, paper.

Argentina: A wide range of import and export commodities.

Denmark: Most agricultural products, cement, steel products, and others.

Czechoslovakia: Tobacco, salt, alcohol, matches, and others.

United Kingdom: Most foodstuffs and raw materials.

Brazil: Agricultural machinery, rice, coffee, rubber, petroleum, and others.

Mexico: Petroleum and many other commodities.

France: Tobacco, cereals, and others.

Paraguay: Wheat, salt, cement, and others.

Poland: Meat and other agricultural products and many others.

Switzerland: Salt, gunpowder, alcohol, sugar, cereal, coal, oil, fats, and others.

Having similar repressive effects on free markets and competitive enterprise in world trade is the growing system of bilateral trade agreements between individual nations.

The statement supplied by the State Department shows that since the war a substantial part of world trade has been carried on through such arrangements. Intra-European trade, and the trade of European countries with the Americas and other parts of the world, have been especially affected.

Some of the principal nations engaging in the making of various kinds of bilateral trade arrangements are the United Kingdom, Argentina, Canada, Brazil, France, Sweden, and Russia. Notable among these agreements which seriously impair the trade of the United States is the recent British-Argentine "trade," whereby meats and other products of Argentina are to be taken in exchange for petroleum and other products of Britain. The agreement made in 1946 between Argentina and Brazil restricted world trade in such important commodities as wheat, wool, automobile tires, and casein. The 1948 agreement between the United Kingdom and Brazil affected foodstuffs, petroleum, machinery, and other iron and steel manufactures. The Argentina-Swiss agreement of 1947 covered the exchange of such goods as butter, lard, meat, wheat, industrial machinery, and electrical goods.

The effect of such agreements is to post "Do not enter" signs against the traders of other nations and reduces the volume of business remaining subject to free competition.

In addition to the many existing commodity-barter deals, a number of nations are engaging in the making of commercial treaties, clearing agreements, payments agreements, bulk purchasing arrangements, compensation agreements, and similar contracts which tend to give competitive advantages to the negotiating countries.

At least 213 bilateral agreements were in force between European countries alone during the first part of 1949. I venture to say there are now closer to 300, and the number has been on the increase in late months.

The aggregate effect of all these trade-restricting devices is to strangle the opportunity of our exporters to enter the markets of the world on an equal competitive basis.

We have taken calculated risks against the American producer in the American market in order to reduce hurdles to our foreign trade. This quid pro quo has not been received, and the receipt of it cannot be assured.

On the contrary, as has been demonstrated by these State Department showings, that which we have received for that which we have given, has been gutted by quotas, preferences, licenses, exchange restrictions, bilateral agreements, and State trading, all operating against our exporters who were to be the beneficiaries of the policy.

Mr. DONNELL. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. ECTON in the chair). Does the Senator from Colorado yield to the Senator from Missouri?

Mr. MILLIKIN. I yield gladly.

Mr. DONNELL. I notice, Mr. President, in the report of the committee, a statement which in view of the unusually interesting and exceptionally informative statement which the Senator has given us this afternoon is very difficult for me to understand. I should like to ask the Senator the basis for the following statement in the report of the majority of the committee:

> The peril point reports of the 1948 act are necessarily unduly restrictive. The program cannot operate at maximum efficiency without having the Tariff Commission a full member of the team.

I am referring to what immediately follows in the report:

> In the opinion of the committee, the old procedures were better. They have proved their worth in experience. The agreements entered into under them have been negotiated with care to avoid any serious injury to domestic industry. No such injury occurred.

As I say, the illuminating and highly informative address of the Senator from Colorado makes it almost impossible for me to understand how the committee could make a statement such as that contained in the last two sentences I have quoted, namely, "The agreements entered into under them have been negotiated with care to avoid any serious injury to domestic industry. No such injury occurred." I should like the Senator, if it will not interrupt his train of thought, to make such comment as he may deem appropriate with respect to these statements, which I am unable to understand.

Mr. MILLIKIN. I may say to the Senator I am at an equal loss to understand those statements. The whole burden of my presentation I think completely refutes the statement in the report. I am at a complete loss to understand the statement.

Mr. DONNELL. I thank the Senator.

Mr. MILLIKIN. We have squandered the bulk of our bargaining power, and, in pursuing this grotesquely unsuccessful endeavor, we have left our domestic producers for the American market a legacy of peril instead of promised safeguarding.

If we had started out with the zany purpose of imperiling our domestic markets to induce the imposition of hurdles to our export trade, we could not have been more successful.

Surely we can export as long as Uncle Sam pays for the goods. Surely we can import to supply our shortages in the limited areas where they now exist. But when that ends, what then? Will the restrictions on our exports be abolished? If so, it will be through the decisions of other nations resting on their own discretion and self-interest and not because of the narrow band of bargaining power remaining in us.

But the minstrels pluck the broken strings of the broken banjo and croon songs of hope. True, the way we handled reciprocal trade did not end the unemployment of the thirties; true, it did not prevent World War II; true, it did not serve as a miracle cure for the ills of the transition period; true, barriers to world trade have proliferated since World War II.

But it is said, "Give us a few years of peace and tranquillity and everything will be all right."

The American producer who sells in the American market, and the American producer who would sell in the foreign markets which are so burdened with these discriminating hurdles to trade, share these hopes. For the time being they have no alternative.

As you know, Mr. President, business shapes itself to its expectations, to prophecies as to what will happen in the future. It makes forward contracts to build, to buy, and to sell. It cannot operate on a post mortem basis. If it is uncertain, if it sees unfair competition ahead, if it must operate in a governmental environment under official rules loaded against it, plans for expansion are curtailed or pigeonholed, the hatches of the business ship are battened down, and the sails are trimmed in preparation for the storm to come.

The aggregate of judgments of that kind sets the tempo and tone of the economy and influences the volume of employment and unemployment. Therefore, statesmanship, I respectfully suggest, should concern itself as much with the threat of serious injury as with the injury itself.

The unemployed might hold us to responsibility. They might ask under what bemusements we were operating when we refused even to request the President to consider the safeguarding of the pay envelopes of the American workers. That request is at the very heart of the peril-point procedures.

V. ESCAPE PROCEDURE IS INADEQUATE REMEDY FOR INJURY OR THREAT OF IT—MAY DESTROY RECIPROCAL TRADE SYSTEM

I wish now to discuss the escape-clause procedure which is held out as the sure cure for all our troubles under the Reciprocal Trade Agreements Act.

We have shown the Presidential promises that concessions would not be made that would seriously injure or threaten serious injury to our domestic producers. We have shown the substitution in practice of calculated risk to serve unauthorized purposes.

Now let us see how the proponents of H. R. 1211 would overcome injury or the threat of it.

Those who favor H. R. 1211, who would abolish even the reminder to the Presi-

dent contained in the Extension Act of 1948 to make sound agreements at the time they are made, affirm that if the calculated risks mature into serious injury or the threat of it, this can be remedied through escape-clause procedure.

In reply it will now be shown that—

First. The escape-clause procedures under the limitations prescribed by the Executive order under which they are to operate, and under the Geneva Multilateral Trade Agreement, are intended to preserve and protect the results of the calculated risks which have been taken, and if the procedures are adhered to, the injuries or the threat of injuries resulting from the calculated risks will not be undone.

Second. Escapes which might be taken for the benefit of domestic producers for the domestic market authorize and set in motion compensating escapes against our exports by the other affected nations, and so our domestic economy as a whole would not be benefited. In practice this fact would exercise strong restraining influences on the President against using escape procedure.

Third. The time lags from the start of escape procedure to the decision of the President are so unpredictable and may be so lengthy as to destroy the value of an escape even if the President should decide, which he may or may not do under his complete right of discretion, that escape should be had.

Fourth. If, because of widespread injury or the threat of it, escapes are taken on a widespread scale, either by the United States or the other nations which also have similar escape rights, the reciprocal-trade system would be destroyed, the trade of the world would be thrown into chaos, and our foreign relations would be gravely disturbed.

Fifth. Whether or not we could take compensating escapes from those taken against us, if there were objection by an affected nation, would be determined by the 23 parties to the Geneva Multilateral Trade Agreement and the additional 10 or 11 nations which may reach agreement at Annecy—and the decisions would be by the majority votes of the parties including those nations having a direct and possibly adverse interest.

In determining whether we would be permitted to take a compensating escape, each one of the adhering nations, large or small, important or unimportant economically, would have one vote.

Sixth. Making allowance for all trade agreements to which we are party containing escape clauses and assuming that the agreements now being negotiated at Annecy will contain such clauses, there will remain in force 13 agreements which we have entered into which do not contain escape clauses.

As a foundation for a demonstration of these propositions, I shall now read the pertinent parts of the President's Executive order on the subject, Executive Order 9832, of February 25, 1947:

PART 1

1. There shall be included in every trade agreement hereafter entered into under the authority of said act of June 12, 1934, as amended, a clause providing in effect that if, as a result of unforeseen developments and of the concession granted by the United States on any article in the trade agreement, such article is being imported in such increased quantities and under such conditions as to cause, or threaten, serious injury to domestic producers of like or similar articles, the United States shall be free to withdraw the concession, in whole or in part, or to modify it, to the extent and for such time as may be necessary to prevent such injury.

Mr. President, I believe I have already read these particular parts of the escape-clause procedure. Therefore I ask unanimous consent that this excerpt may be included in the RECORD at this point in my remarks.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

2. The United States Tariff Commission, upon the request of the President, upon its own motion, or upon aplication of any interested party when in the judgment of the Tariff Commission there is good and sufficient reason therefor, shall make an investigation to determine whether, as a result of unforeseen developments and of the concession granted on any article by the United States in a trade agreement containing such a clause, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles. Should the Tariff Commission find, as a result of its investigation, that such injury is being caused or threatened, the Tariff Commission shall recommend to the President, for his consideration in the light of the public interest, the withdrawal of the concession, in whole or in part, or the modification of the concession, to the extent and for such time as the Tariff Commission finds would be necessary to prevent such injury.

Mr. MILLIKIN. First, it will be noted that the injury which might invoke an escape is limited to that which comes from increased imports resulting from unforeseen developments. It should not be thought that the words "unforeseen developments" are meaningless and, therefore, devoid of influence. Those words, by their placement and by context, rule everything that follows.

Manifestly, having taken calculated risks, the possible development of injury is the precise subject of the calculation and, therefore, the occurrence of the injury cannot, under any rational process of thinking, be considered as unforeseen.

Presumably, unless we assume calculated foolishness, the calculated gains are the offsets for the calculated risks. Those risks, we are told, were taken to expand our foreign trade, or to further diplomatic objectives, or to aid conservation, or to promote the best possible use of our resources, or to assist the claimed mandate to shape our economy as a whole.

It follows that if we are to enjoy what are claimed to be the benefits of the calculated risks, we must endure the injuries when they occur. And this is logically and clearly expressed in the Executive order that only injuries arising from increased imports because of unforeseen developments can be the subject of an escape.

To illustrate: It is claimed that calculated risks may be justified to further our diplomatic relations. Let us suppose that we make a concession to country X intended to increase our imports from that country and involving a calculated risk to our domestic producers for the purpose of advancing some kind of a diplomatic maneuver in which we are interested. Country X performs its part of the bargain. On what theory could we cancel the concession after having received the balancing quid pro quo? The answer is, if the Executive order is obeyed, the concession will not be canceled, because the chance of developments precipitating the injury was foreseen as a part of the calculated risk and was offset presumably by diplomatic gains.

Let us suppose that we take a calculated risk in making concessions to other nations to encourage the importation of natural-resource materials of the kind which those in charge of our reciprocal trade agreements may wish to lock up in this country as a part of their claimed powers in the field of conservation, or of their claimed power to see that we make the best possible use of our resources, or their claimed mandate to guide our economy as a whole, or to manipulate our trade relations for diplomatic reasons.

Let us say that under experience the risk develops into injury to our domestic producers of the same natural-resource materials. What of it? It was a foreseen development because it resulted from a calculated risk and produced a planned effect.

These are not idle speculations. Our tariff treatment of imported oil, lead, copper, zinc, and other minerals reflects in practice a combination of motives of the types mentioned. The importations of oil and minerals under the encouragement of excessively low tariffs are inflicting grave injury to domestic producers of those commodities so vital to our economy and our defense.

All appeals for relief have been in vain. In real effect it has been decreed by our tariff managers that our domestic producers of oil and minerals shall carry the cost of our diplomacy with the nations which export those products to this country.

The conservation and planned-economy policies, already noted, of the gentlemen who make these tariff decisions were sharply exposed and their official nature was again emphasized before the Senate Committee on Interior and Insular Affairs during a recent related hearing on measures for the relief of the stricken mining industry.

Under date of August 15, 1949, the Acting Director of the Bureau of the Budget wrote a guidance letter to the Secretary of the Interior. The following es excerpted:

With respect to the provisions in your redraft concerning Federal aid for minerals production and for maintenance of mines in stand-by condition, it should be emphasized that this clearance is given with the understanding that such Federal assistance is designed solely for the purpose of conserving sources of essential supply which, as a practical matter, would otherwise be rendered unavailable in times of national emergency. From the standpoint of the President's program this assistance would not be acceptable

on any other basis. Approval of the elements of production subsidy in your redraft should not be construed in any way as constituting an approval of subsidy for other than strictly conservation purposes. If it should become necessary for the Federal Government to take special action to relieve unemployment in the affected mining areas, other means would have to be found than the use of production subsidies.

Here is a clear exposure of the fact, repeated in oral testimony before that committee, that so far as Executive policy is concerned, all but a few of our mines, the largest ones, those which are the lowest cost producers and thus have a chance to compete with cheap labor foreign mines, are to be kept in standby condition for use in possible future emergencies.

Instead of conservation by intelligent and unwasteful use, it is conservation by stagnating disuse. Mines and mining communities are to be surrendered to the bats and pack rats. Mining operations are to be put into a cataleptic trance in the hope that there can be a successful resuscitation if production should ever be needed for a national emergency. The miner is expected to tie his ambition to an industry which will be kept closer to death than life and on prospects for future wars. He will be given a watchman's lantern in place of the working tools of his craft.

Every tariff concession granted by us is intended to increase imports. That is why it is made. To get into our market with increased imports is the exact reason which moves the other countries in making concessions to us as to their markets.

Thus the increased imports resulting from our concessions are a foreseen development. Therefore, if the provisions of the Executive order are followed, there will not be an escape.

Now it could be argued that an increase of imports was intended but it turned out to be bigger than anticipated. That would be an unforeseen development and would be a good reason for an escape. But the order does not spell out that reason and if that was what was intended then where are available the records of the anticipated increases so that the extent of the agreed upon injury may be measured, so that developments may be followed and excessive or unanticipated increases may be noted by those then entitled to relief, and so that the Congress and the public may judge the management of our trade affairs?

Limiting escape to cases where the trouble is caused by an unforeseen increase of imports protects the calculated risks but it does not safeguard the American producer.

Obviously, in a declining economy, a static flow of imports, or if the shrinkage of our domestic market was sufficient, a reduced flow of imports could still result in serious injury or the threat of it.

With rare exceptions, escape procedure is an abstraction in times of short supply markets. Its usefulness, if it is to have any, must operate in a receding or distressed economy when supplies of goods are in surplus. In that kind of situation a relatively small amount of goods can add mightily to price and to market demoralization and unemployment.

If we really mean to safeguard the domestic producer from serious injury or the threat of it, we must safeguard him when he needs it. We must safeguard him whether or not the injury is foreseen and whenever imports, regardless of volume, are a substantial contributing cause to his distress.

When the factories close it will not pay rent or buy groceries or clothes or food for the workers to tell them they are idle because imports did not increase beyond some predetermined level, or because their unemployment had been foreseen by some fellows in the Departments playing God in secret with our economic destiny.

Make no mistake, please, there is careful premeditation and studied meaning in the words which limit escape to injuries which were unforeseen. Senators will recall the efforts of the Senator from Michigan [Mr. VANDENBERG] and myself in trying to persuade administrative corrections in order to better the condition of the American producer in the American market. We urged a combination of careful attention to peril points in the negotiation of trade agreements and effective escape procedure if the concessions turned out to be harmful.

In conferences it was strongly urged that the words "unforeseen developments" be eliminated from the draft of the escape clause procedure then under discussion. It was argued that the injury or the threat of it was not lessened by either the foreseen or unforeseen nature of the precipitating developments and that, therefore, the relief should not be limited in that way.

Those words were covered with red lanterns because of the widespread belief at that time, later explicitly confirmed, by representatives of the State Department and other witnesses, that the safeguarding test was in fact diluted by calculated risks and extraneous considerations.

The refusal to eliminate those words was adamant. That is why I not only argue the natural import of those words in their context but also I am able to affirm out of my personal knowledge that their inclusion was not inadvertent but on the contrary represented a carefully considered limitation on escapes from injury.

It is a limitation on escape which meshes with, and logically serves to protect, the deals made and the objectives reached by taking calculated risks with the welfare of our domestic producers.

The escape clause has been included in the Geneva Multilateral Trade Agreement between 23 countries and it will be accepted by the parties to the agreements being negotiated at Annecy, France. The substance of the clause is similar to that directed by the President in Executive Order No. 9832 to be included in future trade agreements. It is covered by article XIX, clause 1 (a) and (b) of the Geneva Agreement, as follows—1949 hearings, Senate Finance Committee, H. R. 1211, page 123:

ARTICLE XIX. EMERGENCY ACTION ON IMPORTS OF PARTICULAR PRODUCTS

1. (a) If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(b) If any product, which is the subject of a concession with respect to a preference, is being imported into the territory of a contracting party in the circumstances set forth in subparagraph (a) of this paragraph, so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a contracting party which receives or received such preference, the importing contracting party shall be free, if that other contracting party so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

I repeat, that, roughly speaking, indeed, more than roughly speaking, almost exactly speaking, the escape clause in the Geneva multilateral agreement is the same as the escape clause directed in the President's Executive order.

So it is clear that it is not only our intention to protect the injurious result of foreseen developments but that is also the intention of the large number of other nations which have committed themselves to similar escape clauses. The language in that particular is the same. All are bound by this particular standard and if the injury was foreseen then the development of it was foreseen, and the escape would be prohibited.

Proceeding with the analysis of another feature of the Executive order emphasizing the limitless scope of the President's discretion to authorize or not to authorize escapes:

Observe, please, that the Tariff Commission makes its recommendation for the President's consideration "in the light of the public interest."

Those words clearly open up endless room without standards of any kind, for the complete play of the President's personal and political philosophy as to what is in the public interest.

If the witnesses for the State Department speak for the President in this matter, then he believes it is in the public interest to take calculated risks with the welfare of the domestic producer for the domestic market in order to increase exports, to serve diplomatic objectives, to carry out conservation policies, to control the economy as a whole. And, it follows, that if the President believes that these risks are in the public interest he would be impelled to rule that it would not be in the public interest to escape from them.

It will be noted especially that the President does not agree to accept the findings of the Tariff Commission. He may take them or leave them.

Every time that we take an escape, compensating escapes may be taken by those nations affected and with which we have escape-clause agreements.

The right to offsetting escapes is provided in article XIX, paragraphs 2 and 3 of the Geneva agreement to which we have provisionally adhered, as follows—1949 hearings, Senate Finance Committee, pages 123–124:

2. Before any contracting party shall take action pursuant to the provisions of paragraph 1 of this article, it shall give notice in writing to the contracting parties as far in advance as may be practicable and shall afford the contracting parties and those contracting parties having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in relation to a concession with respect to a preference, the notice shall name the contracting party which has requested the action. In critical circumstances, where delay would cause damage which it would be difficult to repair, action under paragraph 1 of this article may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

3. (a) If agreement among the interested contracting parties with respect to the action is not reached, the contracting party which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected contracting parties shall then be free, not later than 90 days after such action is taken, to suspend, upon the expiration of 30 days from the day on which written notice of such suspension is received by the contracting parties, the application to the trade of the contracting party taking such action, or, in the case envisaged in 1 (b) of this article, to the trade of the contracting party requesting such action, of such substantially equivalent obligations or concessions under this agreement the suspension of which the contracting parties do not disapprove.

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph, where action is taken under paragraph 2 of this article without prior consultation and causes or threatens serious injury in the territory of a contracting party to the domestic producers of products affected by the action, that contracting party shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury.

Thus before taking an escape, any President with any sense of responsibility would consider the impacts of the inevitable compensating escapes which other countries would put into effect.

Our exporters, therefore, have a strong interest in preserving the stability of the foreign concessions which enable them to get into the foreign markets and which might be adversely affected by our own escapes on our import concessions.

Escapes necessarily must be infrequent, of insignificant magnitude, with the repercussions carefully anticipated and confined to like size and infrequency and diverted to places where least harm will be done, or our exporting business will be palsied with uncertainty and important parts of it will be prostrated by exclusion from its foreign markets. The exporter's pressures are against escapes, naturally. This stimulates a sense of caution in the Presidential mind and may deaden the will to action.

Senators have observed that in emergent circumstances we have the right to take escapes without prior consultation with the affected foreign nations and that under such circumstances, they have the right to take compensating escapes without prior consultation.

Such an escape may be necessary to save a part of the domestic esconomy which produces for the domestic market, but the results to domestic exporters from sudden and unexpected cancellation of concessions by operation of the compensating escapes of affected foreign nations, might be disastrous. This also sets up high barriers of caution against fast action and may induce a decision of no action.

The requirement for consultation after emergent reciprocal escapes have been taken does not assure correction of the damage.

Permit me to emphasize again that when we take an escape, we are not getting a free ride. Any President, with knowledge of the subject, or acting under competent advice, could not avoid the conclusion that in ultimate effect, the escape and the counterescape available to the other affected nations, would simply transfer injury from one class of our domestic producers to another, and theoretically at least, in equal degree.

With the over-all effect in mind, would it not be rather natural for a President to ask himself, why take the escape? Why go to so much trouble, why cause so much international turmoil and friction merely to transfer the squeak from one domestic axle to another?

Senators have also noted that under the provisions of the Geneva agreement which I have read—article XIX, paragraph 3—that the nature of the escape which we could take to compensate for one taken against us is in the end dependent upon our avoiding the disapproval of the contracting parties.

The contracting parties will decide by a majority vote whether the nature of the escape proposed by us, if it has been objected to, does or does not meet with their disapproval. The contracting parties are the 23 nations which are parties to the Geneva Multilateral Trade Agreement, and we have 1 vote out of the 23. If the negotiations which are now going on at Annecy succeed, there will be additional contracting parties, and we will have 1 vote out of the total number. Affected parties with adverse interests are permitted to vote.

Then we come to the time factors involved in an escape. The speed of an escape might determine its effectiveness. We all know how rapidly a domestic industry can move from vigorous health to anemia.

During the hearings before the Senate Committee on Finance the following résumé of the time factors involved in an escape was put in the record—1949 hearings, Senate Finance Committee, page 183:

1. If a producer in the United States believes that he is being seriously injured as the result of a tariff reduction or other concession made by this country in a trade agreement he must file an application asking the Tariff Commission to make an investigation.

This application must give a great deal of information concerning the applicants' business as outlined in the Commission's Rules of Practice and Procedure.

2. After receiving the application the Commission makes a study to determine whether or not it will order an investigation.

According to the Commission's Rules of Practice and Procedure, an investigation will not be ordered unless imports have actually increased relative to domestic production. The threat or imminence of greatly increased imports, therefore, is not of itself enough to get the Commission to order an investigation. This preliminary study would in most cases require several weeks.

3. If, after this preliminary study, the Commission orders a formal investigation it will hold a public hearing, the usual notice of which will be 30 days.

The Commission's staff will begin the accumulation of a large volume of statistical data and other information and in virtually all cases a field investigation will be made, that is, experts of the Commission's staff will visit various plants in the industry. This hearing and investigation in the case of a large industry would be time-consuming and might well require several months.

4. After the hearing and investigation, the Commission will then begin a careful study and analysis of the available information and the preparation of a report to the President setting forth its findings.

The time required for this phase of the procedure will depend upon the number of producers in the industry, the complexity of the problems involved, and the amount of other work before the Commission. The time required would probably vary from several weeks to several months.

5. After the Commission makes its findings and completes the report, the report is sent to the President.

The President is under no obligation whatsoever to take any action. The President is merely required to give the report "his consideration in the light of the public interest." The trade-agreements program was initiated by the administration and is considered to be an important part of the administration's foreign policy. Moreover, under the escape clause, if the United States withdrew or modified one of its concessions, foreign countries would be at liberty to withdraw or modify equivalent concessions which they had made to the United States. Obviously, therefore, the President will proceed with great caution in following any recommendation of the Tariff Commission for the modification or withdrawal of an important concession because to do so would jeopardize or might even nullify the agreements.

6. Assuming the President decides to take action under the escape clause, he must then notify in writing all the countries which are parties to trade agreements and then must consult with all such countries which have a substantial interest as exporters of the product concerned.

The number of countries with which the President would have to consult would vary considerably but would probably be seldom less than 4 or 5, and frequently as many as 12 or 15. Such consultation would in all cases be time-consuming and in most cases would probably require months. If the concession which the President proposed to modify or withdraw were of substantial interest to foreign countries, that is, it resulted in large imports into the United States, the foreign countries would naturally be reluctant to consult with the President, and would delay the consultations as long as

possible. It should be noted that although the escape clause permits the President, in critical circumstances, to act first and consult afterward, the possibility that he would take such drastic action is almost nil.

The bleeding of the injured domestic producers continues during all of these time-consuming maneuvers. Under the impact of import competition sales with profit have dried up, distressed selling increases, surpluses of salable goods accumulate, plans and progress are in abeyance, raw material inventories and buying are reduced to minimum operating levels, pay rolls are reduced, workers are laid off or put on part time, dividends cease, creditors call their loans.

These injuries do not confine themselves to the applicant for relief. They move inexorably in widening circles to strike dependent suppliers and services.

In the end the escape may not be granted. But if granted, it may be too late. And if granted, the injury, as has been pointed out, will simply be transferred to some other domestic producer.

This brings me to perhaps the most serious of all the dangers of sizable use of the escape clause which, I suggest, will be inevitable in a period of severe world trade crisis.

When an economy is in the massive troubles of serious recession, the adverse effects of competing imports on markets glutted with domestic goods attain magnified influence in creating unemployment and the associated maladies of bad times.

The demands for escapes will be numerous and will cut deeply across our economy. No administration could exist which, under such circumstances, would allow imports to continue or aggravate the unemployment.

Escapes on widespread scale and easily justified would be taken and those would be followed by widespread compensating escapes taken by other nations. The binding force of mutuality of benefits will be broken and the reciprocal-trade system will collapse.

Moreover, it can hardly be affirmed that the escape clause has comprehensive usefulness to relieve against serious injury or the threat of it in the face of the discriminatory fact that, with allowance for existing agreements containing the clause and assuming that it will be in the Annecy agreements, there nevertheless will remain in force 13 agreements which do not contain escape clauses. The nations with which we have nonescape clause agreements are Argentina, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Iceland, Iran, Peru, Switzerland, Turkey, and Venezuela.

Some of the numerous products included in such agreements, and therefore not subject to escape clause action are:

Hides and skins: Argentina.
Wools: Argentina.
Casein: Argentina.
Grapes: Argentina.
Tallow: Argentina.
Petroleum and its products: Venezuela.
Watches: Switzerland.
Cotton cloth: Switzerland.
Turned boots and shoes: Switzerland.
Flax and hemp: Peru.
Rubber: Peru.
Cotton, 1⅛ inches or more in length: Peru.
Fish and fish products: Iceland.
Honey: El Salvador and Guatemala.
Various types of furs: Iran, Argentina, and others.

No; the escape clause is not the magic cure for bad deals. It is hedged with conditions which seriously impair its effective use, and it serves to protect the very injuries against which relief is sought. If an escape were taken, the injury thus redressed would, through the operation of compensatory escapes by other nations, merely transfer the injury from a domestic producer for the American market to domestic producers for the export market. The time lags in the procedure operate against timely relief. Large-scale use of the escape clause would destroy the reciprocal-trade system and impose severe strains on our foreign relations. Under the escape procedures prescribed by the Geneva multilateral trade agreement our ability to protect ourselves with compensating escapes, when those are objected to, is beyond our control, is dependent on the majority decisions of all of the nations which are party to that agreement, and in reaching those decisions we have but one vote.

I suggest there is only one way that gives a fair chance under the reciprocal-trade system of avoiding these difficulties, and that is to develop sounder escape-clause procedures and protect them by rare usage—by making trade agreements, in the first instance, and by making renegotiated trade agreements with concessions which do not go beyond expertly estimated peril points. The peril-point procedures in the amendments which we offer provide the opportunity.

Mr. WHERRY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. WHERRY. Mr. President, I ask unanimous consent to withdraw my suggestion of the absence of a quorum, that the order for the quorum call be rescinded, and that the distinguished Senator from Colorado be permitted to resume the floor, to address the Senate further on the pending bill.

The PRESIDING OFFICER. Is there objection?

Mr. CONNALLY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state the inquiry.

Mr. CONNALLY. I do not object, but it seems to me a very serious question is raised. I understand when the absence of a quorum is suggested the Senate is powerless to transact any business until a quorum is present.

The PRESIDING OFFICER. The absence of a quorum has not been announced.

Mr. CONNALLY. The Senator from Nebraska is announcing it himself.

Mr. WHERRY. Mr. President, I withdraw the request.

The PRESIDING OFFICER. The request is withdrawn.

Mr. CONNALLY. I am not objecting to allowing the Senator from Colorado to proceed, but I think in the interest of procedure and precedent we ought to know what we are doing. I shall, of course, abide by the ruling of the Chair, if the Parliamentarian so advises the Chair. I am not trying to prevent the Senator from Colorado from resuming the floor.

Mr. MILLIKIN. I may say to the distinguished Senator from Texas I can finish in a very short time, and I wonder whether he will not be good enough to waive the point.

Mr. CONNALLY. I am not making any point of it. I am merely propounding a parliamentary inquiry.

Mr. GEORGE. Mr. President, my understanding is that until there is an announcement that a quorum is not present, the quorum call may be suspended by unanimous consent.

Mr. CONNALLY. If that is the ruling of the Chair, I have no objection.

The PRESIDING OFFICER. That has been the practice, as the Chair is advised.

Mr. CONNALLY. I have no objection. I am not trying to cut the Senator from Colorado off.

Mr. WHERRY. Mr. President, I certainly do not want to cut off the distinguished Senator from Texas, if he wants to proceed with the quorum call. Following the usual practice, and before an announcement of no quorum was made, I requested permission to withdraw the suggestion of the absence of a quorum.

Mr. CONNALLY. I am not objecting to that. I was merely propounding a parliamentary inquiry. The Senator from Nebraska is always fearful of establishing a precedent. I merely wanted to know whether we were establishing a new precedent, that was all.

VI. OBJECTIONS AND THEIR ANSWERS TO PERIL-POINT PROCEDURE—CONCLUSION

Mr. MILLIKIN. Mr. President, I wish to conclude my remarks with attention to the objections and the answers thereto to peril-point procedure. The objections to the procedure will now be developed with our replies, and it will be shown that the procedure is administratively workable, has worked successfully, and should be continued.

It is claimed that the Trade Agreements Extension Act of 1948 deprives the executive department of use of the Tariff Commission and its employees in negotiating trade agreements; that under the act of 1948 the Tariff Commission is isolated from the process of forming judgments as to concessions to be made.

It is correct to say the Tariff Commission is prohibited from participating in the making of decisions with respect to the proposed terms of any foreign-trade agreement or in the actual negotiation of any such agreement.

It is completely incorrect to say the results of its work, within the legitimate scope of its duty, are not available to

all those charged with the responsibility of making trade agreements.

There are many good reasons for excluding the Tariff Commission from the decision-making functions of the Interdepartmental Committee and from participating in the actual negotiations with the representatives of foreign countries.

The Tariff Commission was not set up to participate in the conduct of our foreign affairs, and it has no legal authority for doing so. It was not set up to bargain with anyone, or to compromise, or to adjust its own opinions with those of other agencies.

It was set up to carry on investigations respecting the operations and effects of our customs laws and, on request, to make investigations to supply information and reports on such matters to the President, or either House of Congress, or the House Ways and Means Committee or the Senate Finance Committee. It is required to make an annual report to Congress.

To reach decisions as to what the concessions should be and to negotiate the agreement is the precise subject of the congressional delegation of power to the President under the Reciprocal Trade Agreements Act of 1934 as it has been amended.

The ability to trade and to negotiate are not among the expected qualifications of members of the Tariff Commission. The President has the entire population available to him for the selection of that kind of talent.

Moreover, it is a patently inconsistent thing to ask the members of the Tariff Commission to participate in bargaining for rates which under the Board's own viewpoints might exceed the proper limits of concessions to be granted.

It is the very purpose of the procedures which we advocate for safeguarding the interests of our domestic producers that the peril-point warnings as determined by the Tariff Commission shall come before the President undimmed and undiluted, that they shall not be lost in the composite recommendations of the Interdepartmental Committee which necessarily reflect the adjustments and compromises of the differing special-pleading viewpoints of the represented agencies.

The isolation theme is grossly erroneous and it is misleading. The Extension Act of 1948 does not interfere with the Tariff Commission's function of supplying facts, statistics, and other information to the Interdepartmental Committee, to the Congress, to the President, or to the negotiators.

On the contrary, the Extension Act of 1948 expressly provides:

SEC. 4. The Commission shall furnish facts, statistics, and other information at its com..and to officers and employees of the United States preparing for or participating in the negotiating of any foreign-trade agreement.

Under the Extension Act of 1948, the effectiveness of the Tariff Commission is enhanced by adding to its fact-supplying functions the duty of furnishing the peril points to the President. Since the President has assured the people and the Congress that the domestic producers will be safeguarded, which is simply another way of saying that peril points will not be exceeded, it would seem to be sensible that some agency should be given the job of providing the President with a focused report on the subject.

It is said that to require the Tariff Commission to determine peril points imposes an impracticable burden. It is said that a peril point cannot be determined.

The testimony rebuts the claim. Is it not completely clear that before a negotiation of any item is completed, a point is always finally agreed upon for every item whether or not it safeguards the domestic producer from serious injury or the threat of it?

If the Tariff Commission cannot establish a point of peril, how can the Interdepartmental Committee do it; how can the President do it? If a point can be established that falls within a calculated range of peril, why cannot one be established that falls short of it? If a peril point cannot be established, what substance is there in the assurance that domestic producers will not be subjected to serious injury or the threat of it?

Please let me give the Senate a conclusive Presidential refutation of this talk of being unable to set peril points. Executive Order 9832, the one which has been discussed at length, contains the following provision regarding the recommendations as to concessions which are to be made to the President by the Interdepartmental Committee:

8. * * * If any such recommendation to the President with respect to the inclusion of a concession in any trade agreement is not unanimous, the President shall be provided with a full report by the dissenting member or members of the Interdepartmental Committee giving the reasons for their dissent and specifying—

What?—

the point beyond which they consider any reduction or concession involved cannot be made without injury to the domestic economy.

Here we have an explicit Presidential instruction to find the peril point to the domestic economy involved in a proposed concession directly affecting only a part of that economy. How can those far-flung perils be estimated unless we can measure them at the starting point, unless we can establish the point of injury to the producers who would receive the first and heaviest impacts of the proposed concession?

In other words, the President in order to inform himself of the merits of dissents which come to him from the Interdepartmental Committee, has in effect mandated the finding of the very peril points which his representatives say cannot be found.

We have been told that the Tariff Commission would be unable to carry the heavy burdens imposed upon it in determining the peril points. The first time we heard that last year the State Department was talking vaguely of possible agreements with only two or three nations of very minor trade importance which had not joined up at Geneva.

Yet 13 nations started bargaining at Annecy and the Tariff Commission worked up and submitted to the President, within the time required by the act of 1948, peril points involving 449 items of direct interest to the United States.

Another erroneous and seriously misleading argument is made to the effect that prior to the peril-point procedures the Tariff Commission, as such, had an effective consultative role in the decisions of the Interdepartmental Committee as to the range of concessions. From this it is argued that we would abridge the useful functions of that Commission.

The truth is the Commission, as such, has supplied facts, but I emphasize that as such it has never participated in making the decisions of the Interdepartmental Committee.

True, a member of the Tariff Commission has been selected to be a member of the Interdepartmental Committee, and from this the impression is cultivated that the Tariff Commission is represented and as such has a voice on the Interdepartmental Committee.

This is false. A member of the Interdepartmental Committee is selected from the Tariff Commission, but, mark this, please, he does not speak for the Commission. He does not ascertain and therefore does not transmit the Commission's opinions to the Interdepartmental Committee. He does not submit to the Tariff Commission any question of decision as to the problems of the Interdepartmental Committee. He does not even poll the members of the Tariff Commission to get their reactions as to problems which are before the Interdepartmental Committee.

The testimony of Commissioners Ryder and Gregg will place this beyond dispute. I read from the 1949 hearings, Senate Finance Committee, House bill 1211, pages 815–816:

Senator MILLIKIN. Now, you stated that you called attention to the danger spots, Commissioner Gregg testified that he had no memory at all of the Commission ever having been polled on the danger spot or the range of danger on any of these matters, and that you were not speaking for the Commission, but rather in your personal capacity, and I am not derogating your qualifications to speak as a person.

Do you agree with what Mr. Gregg said?

Mr. RYDER. Well, yes and no. It depends on how you look at these things.

He is correct on one point, at least, that I had never polled the Commission, and it has never been polled on any of the peril points until this law was passed.

I do not see, and I have never seen, how it would be practicable if desirable for the Commission to take a vote on every item and have its representative cast that vote. In the first place, these decisions are made in committees which meet continuously, almost, and you have to spend your nights reading up the material for them, and you could not be in two places at once. Then the final decisions in the Geneva negotiations were made in Geneva, and in the final negotiations beginning in April they will be made at Annecy, France.

That is on the practicability of the thing. In the desirability of it I could say a good deal.

Senator MILLIKIN. I am getting at the ultimate fact that regardless of whether it is peril point or whether it is range of dangers, or whatever you want to call it, did you ever

act there while you were a member of the Interdepartmental Committee under the instructions of the Commission as such?

Mr. RYDER. Not on individual items, no; but in June of 1934 the Commission by a vote, and I have a copy of the minutes here, voted that "Commissioner Oscar B. Ryder be, and is hereby, designated as the Commission representative on the Committee on Foreign Trade Agreements, and that Commissioner Ryder be and is hereby granted the power to select an alternate or substitute at any time it may be necessary and to call upon anyone whose special services may be required."

In a letter also to Secretary Hull, who set up the committee embodying that decision, that was included.

Senator MILLIKIN. I am glad that you mentioned that that resolution does not empower you to speak for the Commission.

Mr. RYDER. To represent the Commission on the committee, and it was never proposed at that time or any time afterward in the Commission that the Commission should instruct its man as how to vote.

Senator MILLIKIN. And the Commission did not do so?

Mr. RYDER. No.

Senator MILLIKIN. Did you ever poll the individual members of the Commission as to any concession as to which you made recommendations?

Mr. RYDER. Oh, no.

Commissioner Gregg testified as follows—1949 hearings, Senate Finance Committee, H. R. 1211, page 799:

Senator MILLIKIN. Mr. Gregg, just to double rivet the matter that has already been discussed between the chairman and yourself: Directing your attention to the practice before the act of 1948, when those individual tariff concessions came before the Trade Agreements Committee, did you, as delegate, ever have any instruction from the Tariff Commission as to what position you should take to represent the Commission?

Mr. GREGG. No, sir.

I interpolate to say that Commissioner Ryder was chief delegate and Mr. Gregg acted as alternate delegate. I continue the quotation:

Senator MILLIKIN. You never did. So far as you know, did Chairman Ryder, when he was acting as delegate in chief, ever have such an instruction from the Commission?

Mr. GREGG. Not so far as I know.

Senator MILLIKIN. That has never happened since you have been a member of the Commission?

Mr. GREGG. Not so far as I know.

Senator MILLIKIN. So far as you can recall, were the members of the Tariff Commission ever polled, or did the members of the Tariff Commission, as such, ever vote on any individual concession proposed by the Trade Agreements Committee, or on any items which were before the Trade Agreements Committee for discussion?

Mr. GREGG. Not so far as I know; no, sir.

Senator MILLIKIN. Then, as I think you have developed, the delegate, or the alternate, representing the Tariff Commission, was not in fact representing the Tariff Commission, but was simply selected, from among the members of the Tariff Commission, and acted in his personal capacity, rather than as a representative of the Tariff Commission.

Mr. GREGG. That is my understanding; yes, sir.

Mr. President, last year we were told with the tremolo stops all the way out and with expressions of anguished apprehension that if the bill for the Extension Act of 1948 became law, we would be ripping the innards out of the harmonies and coordinations of our international programs.

Of course, the claim, on the face of it, was absurd, for in practice the principle involved in the peril point has the undeviating support of all of the countries committed to reciprocal trade agreements where their own affairs are affected.

Let us test the claim of disturbance to our foreign affairs by what has happened.

The work on the Geneva multilateral trade agreement was concluded on October 30, 1947. The Trade Agreements Extension Act of 1948 was approved on June 26, 1948. On the day of approval of the act, 12 nations had signed up for provisional adherence to the Geneva agreement. Had the Extension Act of 1948 impressed the other nations which had not signed up as a repudiation of that which had been agreed upon at Geneva, their signatures would not have been forthcoming. But after the enactment of the act, all of the other nations, numbering 11, came in and signed up for provisional adherence.

And in this connection, it is quite significant to remember that those 11 signatures were added after the report of the Senate Committee on Finance and the debate in the Senate which had placed a caveat on the general provisions of the Geneva agreement.

The only disturbing impact of the act was on those officials of the United States who, in agreeing to concessions, had been substituting calculated risks for the promises that domestic producers would not suffer serious injury or the threat of it. That disturbance to those officials was one of the intended purposes of the Extension Act of 1948.

Of course, the other nations were not really disturbed, for although they will make their bows to altruisms, they will not submit to injury because of them. All doubts as to this must fall before the magnitude of the nullification of good intentions represented by the import licenses, quotas, preference and bilateral agreements already noted and by exceptions and reservations in the governing provisions of the Geneva multilateral trade agreement and of the proposed Charter for ITO.

However, after the approval of the Extension Act of 1948, we invited 13 additional nations under the authority of our reciprocal trade legislation as amended by the act of 1948, to attend the present meeting at Annecy, France, for the negotiation of agreements. Every invited foreign nation accepted; they were not disturbed by what we had done, and most of them are at Annecy or have been at Annecy trying to outbargain each other and the United States, and all of them, unless it be the United States, are acting under the irreducible and unshakable determination to safeguard their respective domestic interests.

The constant alarms that if we do or do not do this, that, or the other thing, the diplomatic seismographs in foreign chancelleries will fall apart with shock, is getting to be somewhat tiring. In fact, we may have to consider a little shock treatment among the inevitable choice of future measures to break off morbid dependence of other nations on the United States.

But passing that, the eagerness for benefits under ECA and arms implementation, does not indicate that we were bad boys in adopting the safeguarding peril-point procedures and must stand in the corner awaiting forgiveness. It was just another phony alarm.

There is an unwholesome reluctance to tell the people when the peril points have been exceeded and why. The purpose of the retroactive repeal provisions of H. R. 1211 is to shield the President from making such disclosures as to the agreements now being or which have been negotiated at Annecy, France.

Mr. Thorp of the State Department expressed the fear of public opinion before the House Ways and Means Committee during the hearings on H. R. 1211, page 54:

Mr. BYRNES. So that the act of 1948 does not bind the hands of the President, as some people try to tell the American public; it still leaves him free, does it not, to consummate any agreement that he desires to do so, within the 50-percent limit?

Mr. THORP. Yes. He is free, although there are, let us say, some pressures that are set up which may have some effect upon the exercise of that freedom.

Mr. BYRNES. The only pressure is the pressure of public opinion; is it not?

I read Mr. BYRNES' question again:

The only pressure is the pressure of public opinion; is it not?

Mr. THORP. Yes, I think that is a fair way to put it.

This unwillingness to make full accountings to the source of their authority by those who are the recipients of the delegation of the powers of Congress, and fear of public opinion, if the facts were made known, were not revealed for the first time by Mr. Thorp. Last year and this year the Secretary of State and the President refused to allow the Senate Committee on Finance to examine the minutes of the meetings of the Interdepartmental Committee, which Senators will recall, makes the recommendations of concessions to be made and to be sought.

The testimony is interesting—1949 hearings, Senate Finance Committee, H. R. 1211, page 6:

The CHAIRMAN. Senator MILLIKIN?

Senator MILLIKIN. Mr. Thorp, you, of course, appreciate that this whole subject matter is within the direct, primary, expressed constitutional power of the Congress.

Mr. THORP. Yes; I do.

Senator MILLIKIN. That whatever power the President has results from our delegation of that power to him.

Mr. THORP. That is correct.

Senator MILLIKIN. Therefore, he is our delegate in this matter. Correct?

Mr. THORP. That is my understanding of the legal situation.

Needless to say, the clear provisions of the Constitution do not gain stature by admission of their existence. The answers of Mr. Thorp were unassailable. He was merely recognizing that under ar-

ticle I, section 1 of the Constitution all legislative power is in the Congress and that the first of the enumerated powers in article I, section 8, is that—

The Congress shall have the power to lay and collect taxes, duties, imposts, and excises—

Mr. Thorp was expressing his recognition of the unarguable fact that the Reciprocal Trade Agreements Act of 1934, as amended, was squarely founded on that provision of the Constitution.

Now, continuing with the testimony:

Senator MILLIKIN. Last year, when the matter was before us, proceeding on that theory, we asked for the minutes of the Interdepartmental Committee, and I, as chairman of the committee at that time, received a letter from Mr. Clayton. I will read it:

DEPARTMENT OF STATE,
Washington, May 5, 1948.

Hon. EUGENE MILLIKIN,
Chairman, Senate Committee on Finance.

DEAR SENATOR MILLIKIN: I have taken up again with the Department your request that the minutes of the Trade Agreements Committee be made available to the Committee on Finance. The Department has considered this matter further, and directs me to say, with regret, that it considers that it would not be in the public interest to comply with your request, for the following main reasons:

1. The minutes in question contain information obtained from business in confidence and upon the assurance that it would not be disclosed.

2. They contain information which, if known to other countries, might prejudice the position of the United States in future negotiations, and which might embarrass this country in its relations with countries with which the negotiations to which the minutes refer took place.

3. The minutes are the records of the deliberations of the President's advisers. The President is the one responsible for decisions on tariffs under the act, and is entitled to the opinions—

Note this—

of his advisers expressed fully and freely without the constraint which would inevitably come from the knowledge that they might be made public.

The Department would not feel authorized to make these records available to the Congress without the consent of the President.

Yours very truly,

WILLIAM L. CLAYTON,
Special Adviser to the Secretary of State.

Does that continue to be the viewpoint of the Department of State?

I am talking to Mr. Thorp this year.

Mr. THORP. Yes; that still is the viewpoint.

Now we come to the President's viewpoint—1949 hearings, Senate Finance Committee, H. R. 1211, page 1333:

The CHAIRMAN. The committee will come to order.

The reporter will place this letter from Assistant Secretary Thorp and a report from the Department of Agriculture in the record at this point.

(The letters referred to are as follows:)

DEPARTMENT OF STATE,
Washington, February 24, 1949.

The Honorable WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate.

MY DEAR SENATOR GEORGE: During my testimony before the Senate Committee on Finance on February 17, Senator MILLIKIN asked me to consult the President on the question whether the minutes of the Interdepartmental Committee on Trade Agreements should be made available to the Congress.

I have done so, and the President is in agreement that it would not be in the public interest to make the minutes available, for the reasons indicated in the letter which Mr. Clayton sent to Senator MILLIKIN last year in response to the same request. This letter, dated May 5, 1948, was printed in the records of last year's hearings before the Finance Committee on trade-agreement legislation.

Sincerely yours,

WILLARD L. THORP,
Assistant Secretary.

So here we have the astonishing close-coupled, mutually destructive affirmations that the Congress is the master of the subject but the servants feel themselves at liberty to deny accountings of their actions.

The assigned reasons add insult to breach of duty. First, the Senate Committee on Finance cannot be trusted with a confidence obtained from business. Then it might sieve information to foreign countries and this might prejudice the United States.

The members of the Senate Committee on Finance in 1948 were Senators George, Barkley, Connally, Byrd, Johnson of Colorado, Lucas, Taft, Butler, Brewster, Bushfield, Hawkes, Martin, and Millikin. The members during the hearings this year when the last letter came were Senators George, Connally, Byrd, Johnson of Colorado, Lucas, McGrath, Hoey, Taft, Butler, Brewster, Martin, Williams, and Millikin.

I shall not beat my breast in unnecessary defense of the integrity and discretion of the members of the Senate Committee on Finance. If I were feeling liverish, it would not be at all difficult to make a respectable case out of facts known to all of us for the proposition that our international secrets would be safer with the Senate Committee on Finance than with the State Department.

There has been much debate on when the Congress has the right to ask for information from the executive branch. There are troublesome twilight zones. But so far as I am aware, no one has made a serious attempt to maintain that the executive department has the right to refuse information to Congress when the powers exercised by it are those delegated to it by Congress pursuant to exclusive congressional jurisdiction expressly spelled out in the Constitution.

The paragraph in Mr. Clayton's letter, to the effect that the President may be receiving advice which is different from that which would be received if it were made public, is very interesting.

Obviously, when the Congress becomes impotent to keep itself informed in matters affecting its exclusive constitutional jurisdiction, it has become blind and the executive department becomes its seeing eye dog. It has lost its hearing and the executive department becomes its listening post.

It is high time to move this subject into the daylight.

The peril-point procedure is a reminder of pledges. It is a reminder of the source of delegated power. It aligns itself with the good custom of accountability by those using borrowed power.

Through the explanations required when recommended peril points have been exceeded, we shall learn of the considerations which move the calculated risks against the American producer.

It will be possible to judge in the light of specific cases whether concessions made and the reasons for them violate the intent of the enabling legislation or represent usurpation of power.

For example, it will be possible to judge the extent to which concessions are made pursuant to the alleged mandate to guide the economy as a whole. I am sure we would all like to know about that.

It will be possible to judge the extent to which our domestic producers have become the pawn of diplomacy and to judge the costs in terms of injury.

It will be possible to judge just what we are paying for the alleged power to see that our resources are used to best advantage, for the alleged power over the subject of conservation.

And from the revelation of these facts, the people will be able to make up their minds whether they approve or disapprove of that which is going on, and the Congress will be in better position to make covering legislation.

When the conference at Annecy concludes, and if it achieves its aims, most of the world's trade will have been covered by reciprocal agreements. But that does not end the matter. I suggest that due to artificialities and inflexible features in those agreements and to rushing change of the factors which led to concessions, extensive renegotiations will be required and will be had or wholesale nullifications will result.

The reminder that it would be best to make sound agreements when they are made, and the opportunity to justify when peril points are exceeded, should not be alarming to anyone who is confident of the soundness of that which was done. The people will support sound action; and the White House is an excellent sounding board.

Our proposal, while inoffensive to those prepared to justify, might be profoundly deterring to those running wild with unbestowed power and secret purposes which the people might not find acceptable.

(The annexes heretofore referred to are as follows:)

TARIFF COMMISSION HISTORY OF TRADE-AGREEMENT PROGRAM

CHAPTER 1. TRADE AGREEMENTS AND TRADE POLICY OF THE UNITED STATES BEFORE 1934

Agreements relating directly to tariff duties

The history of United States participation in trade-agreement negotiations directly affecting tariff duties is a long one.[1] Some of the trade agreements made before 1934—like the agreements made since then under the Trade Agreements Act—were effectuated by

[1] For a detailed analysis of the United States commercial treaties which were negotiated before 1919, see U. S. Tariff Commission, Reciprocity and Commercial Treaties, 1919.

Executive order under congressional authority which did not require subsequent congressional action. The authority of the President to make such agreements, however, was narrowly circumscribed. A number of agreements requiring congressional action also were negotiated by the President, but most of these failed to receive the necessary legislative approval and thus never came into effect.

The first reciprocal-trade treaty negotiated by the United States was with the German Zollverein (customs union) in 1844. It never became effective, however, because of failure to receive Senate ratification. The first United States reciprocal trade agreement to become effective was with Canada. That agreement was negotiated by the President, ratified by the Senate, and approved by the Congress; it became effective in 1855 and remained in force until 1866, when it was terminated by the United States.[2]

Reciprocity treaties were negotiated with Hawaii, one in 1855 and a second in 1867, but neither of these received the necessary Senate ratification. In 1875, however, a reciprocity treaty was finally negotiated and ratified. In the following year, the Congress passed the legislation necessary for putting it into effect. The treaty remained in force until Hawaii was annexed by the United States in 1898.

Reciprocity treaties were negotiated with Mexico in 1859, with Canada in 1875 and 1888, and with Newfoundland in 1868, but all these failed to receive the necessary Senate ratification.

The Tariff Act of 1890 was the first general tariff act of the United States to make systematic general provision for reciprocal negotiations relating to tariff rates as such. Under section 3 of that act, the President was empowered to enter into narrowly defined trade agreements not requiring subsequent approval of either the Senate or the Congress. As a sanction to put pressure on the several countries to enter into these agreements, this section of the tariff act instructed the President to impose specified penalty duties on certain articles (coffee, tea, hides, sugar, and molasses) on the free list of the United States tariff whenever the supplying country's treatment of imports from the United States was deemed "to be reciprocally unequal and unreasonable." Under authority of that section of the tariff act, the President proclaimed agreements with the following countries: Austria-Hungary, Brazil, Dominican Republic, German Empire, Great Britain (for British West India colonies), Guatemala, Honduras, Nicaragua, Salvador, Spain (for Cuba and Puerto Rico).

Concessions were obtained for American products from each of the foregoing countries in return for an assurance of continuing duty-free entry into the United States of their coffee, tea, hides, sugar, and molasses. In some agreements the other contracting party agreed to admit specified imports from the United States free of duty or at substantially reduced tariff rates; in others it agreed to extend most-favored-nation treatment[3] regarding tariffs to all imports from the United States.

The penalty duties provided for in section 3 of the act of 1890 were applied to imports from Colombia, Venezuela, and Haiti, following failure of those states to respond favorably to United States invitation to negotiate an agreement under this provision of the tariff act.

The Tariff Act of 1894, which reimposed a duty on raw sugar (such a duty had been imposed by acts preceding that of 1890), automatically annulled all agreements which had been made under authority of this section of the 1890 act. No reciprocity provision was contained in the 1894 act.

The next series of trade agreements was negotiated under authority of the Tariff Act of 1897. Section 3 of that act empowered the President to negotiate agreements with foreign countries and to proclaim them without ratification by the Senate. This authority, though still narrowly circumscribed, was somewhat broader than that conferred by the corresponding section of the Tariff Act of 1890. The President was not only authorized, as before, to impose penalty duties on certain specified articles on the free list (the articles specified in the 1897 act were coffee; tea; tonquin, tonqua, or tonka beans, and vanilla beans), but he was permitted to proclaim prescribed reductions in duty on argols, distilled spirits, sparkling wine, still wine, paintings, drawings, and sculptures in exchange for concessions by the other countries. Under authority of this section, the so-called argol[4] agreements were concluded with the following countries: Bulgaria, France, German Empire, Great Britain, Italy, the Netherlands, Portugal, Spain, and Switzerland.

These agreements were negotiated in two series. The first was concluded (during the McKinley administration) with France, Portugal, Germany, and Italy, and the second series (during the Theodore Roosevelt administration) with the other countries listed above. In exchange for the concessions granted by the United States, which consisted of small reductions in duty on one or more of the articles specified in the act (no use being made of the penalty provision), the participating foreign countries generally applied to all or a part of their imports from the United States their minimum or conventional rates of duty reserved for imports from favored nations. The argol agreements remained in effect until they were terminated under a provision of the Tariff Act of 1909.[5]

Section 4 of the Tariff Act of 1897 gave the President broad authority to negotiate trade agreements with foreign countries for the purpose of securing concessions for American exports. That section permitted reductions of as much as 20 percent from the duties of the regular tariff schedules, the transfer of a limited group of articles from the dutiable to the free list, and the binding duty-free of articles then on the free list. Before any such agreement could become effective, however, ratification by the Senate and approval by the Congress were necessary. Pursuant to that authorization, the President negotiated agreements with the countries named below, but none of these agreements were ratified by the Senate.

Argentina	France
Denmark	Great Britain (for various colonies)
(for St. Croix)	
Dominican Republic	Nicaragua
Ecuador	

In 1902 a convention of commercial reciprocity was negotiated with Cuba. This convention provided for a reduction of 20 percent from regular United States duties on imports from Cuba and reductions of 20 to 40 percent from regular Cuban rates on imports from the United States. After the Senate ratified the treaty, the Cuban Government accepted it. The Congress finally passed enabling legislation and the treaty was formally proclaimed in 1903. This treaty was independent of the reciprocal provisions of the Tariff Act of 1897 and in no way connected with the treaties made under that act.

The Tariff Act of 1909 not only provided for terminating all outstanding reciprocity agreements to which the United States was a party—except the agreement with Cuba—but it also instituted a two-schedule tariff system. Under this system the free list and the rates in the general schedule constituted the minimum schedule; and the minimum rates plus 25 percent of the values of the imported articles constituted the maximum schedule. The President was authorized to extend the minimum schedule to countries which did not discriminate against the United States; the maximum rates were applicable to imports from all other sources. The Tariff Board, which had been created for this purpose under authority of the act itself, was required to investigate the tariff treatment accorded American products by foreign countries. Discrimination by several of them was discovered and negotiations with them were subsequently entered into for the purpose of eliminating the discrimination. Following these negotiations, proclamations were made applying the minimum rates to all countries. The maximum rates were, in fact, never applied to imports from any country, notwithstanding that certain countries—notably Germany and France—did not extend full equality of treatment to imports from the United States.

In 1911, a reciprocity agreement, with preferential treatment on both sides, was negotiated with Canada. It was approved by the United States Congress, but, inasmuch as it was not approved by the Canadian Parliament, it did not go into effect.

The Tariff Act of 1913 contained no provision for maximum and minimum schedules of duties, but it authorized the President to negotiate reciprocity agreements provided "that said trade agreements before becoming operative shall be submitted to the Congress of the United States for ratification or rejection." No agreements were negotiated by the President under that authority.

None of the subsequent general tariff acts made provision for the negotiation of trade agreements, with the result that the trade agreements next consummated by the United States were made under authority of the Trade Agreements Act of 1934.[6]

DEVELOPMENT OF MOST-FAVORED-NATION TRADE POLICY

Commercial treaties between states relate to an extensive variety of subjects having to do with the treatment to be accorded to persons, to means of communication and transportation, and to commerce.[7] Specific provisions are made in these treaties for such matters as admission of diplomatic and consular officials; immigration and emigration; conditions of residence, travel, and trade; imposition of taxes; navigation, quarantine, and harbor regulations; patents, copyrights, and trade-marks; and tariffs and customs laws. The features of commercial treaties and agreements here under consideration relate principally to import and export trade, tariff duties, quotas, and customs laws and regulations.

Every state, in entering into a commercial treaty or agreement with another, seeks to gain or to retain certain advantages, to avoid certain disadvantages, or to accomplish both of these objectives. The negotiation of a commercial treaty between states, therefore, usually involves bargaining. In making its

[2] This agreement, like those subsequently entered into with Hawaii and Cuba, was preferential.

[3] Most-favored-nation treatment is discussed in the next section of this chapter.

[4] The name is derived from "argols" (a crude cream of tartar), which was the first item appearing in the enumerated list on which reductions in duty were authorized by section 3 of the Tariff Act of 1897.

[5] However, because of subsequent understandings, the agreement of August 1, 1906, with Spain was still in effect on November 5, 1922, when Spain gave 1 year's notice of its intention to denounce the agreement.

[6] Public Law 316 (73d Cong., 2d sess.), reproduced as appendix B.

[7] For a detailed analysis of United States commercial treaties, see United States Tariff Commission, Reciprocity and Commercial Treaties, 1919.

commercial treaties, a state may or may not seek a privileged position for itself. Most states, however, generally try to obtain treatment from other states which will be at least as favorable as that which those states grant to any other. Accordingly, every state generally asks for all the concessions and guaranties which the other negotiating state has already extended to third states or which it may extend to them in the future.

The most commonly used instrument for automatically assuring to newly contracting states the benefit of existing or future concessions accorded to third states is the so-called most-favored-nation clause. The purpose of this clause has been not to create but to guard against the creation of a most-favored nation. This clause seeks to make accessible to the contracting parties all the advantages which either of them has granted, or at any future time shall grant, to any third state, i. e., to the most favored third state. The most-favored-nation clause has thus been used primarily to prevent the establishment of discriminations in the extending of concessions and guaranties.

Before the American Revolution, the most-favored-nation clause appearing in commercial treaties was not accompanied by any qualifications, i. e., no conditions were laid down concerning the circumstances under which benefits extended to third states would be extended by the contracting parties to each other. In the first American commercial treaty, that with France in 1778, this clause was qualified so as to make the extension of most-favored-nation treatment freely, if the concession [to the third state] was freely made, or, if the concession was conditional, on the basis of the conditions of that concession. Since that time, the most-favored-nation clause has been used in trade treaties and agreements, sometimes with such a qualification and sometimes without it. When the clause appears without any qualifying stipulation, it is described as unconditional; when the clause provides for compensation in exchange for most-favored-nation treatment, it is described as conditional.

The trade treaties which the United States entered into before 1923 generally provided for conditional most-favored-nation treatment, i. e., the United States agreed to grant most-favored-nation treatment in exchange for some specific concession to be received from the other contracting power. In actual operation, the conditional most-favored-nation policy was found to be a source of friction rather than an arrangement for eradicating discrimination; moreover, it proved to be ill-suited to a country which has a single-column tariff. The United States finally abandoned it in 1923, when President Harding approved adoption of the unconditional most-favored-nation clause in future commercial treaties.

Abandonment of the conditional form was foreshadowed with the legislative embodiment of the principle of equality of treatment in the Tariff Act of 1922 (section 317, reenacted as section 338 of the Tariff Act of 1930) authorizing the President to impose penalty duties on goods imported from countries found to be discriminating against the commerce of the United States.[8] In 1923, Secretary of State Hughes announced this Government's new commercial practice to all diplomatic officers. The same general policy, first given formal expression in the commercial agreement negotiated with Germany in that year, has been pursued since that time.

[8] No action has been taken under this provision, but its presence may have had a deterrent effect on discriminations against this country.

Under the unconditional most-favored-nation clause, any concession which the United States now extends to any foreign country (excepting Cuba and the Philippines, for which preferences are authorized in all trade agreements) it extends to the country with which it makes an agreement or treaty, unconditionally and without restriction. Similarly, any concession granted by the other contracting country to any third country (often with certain specified exceptions) must be extended unconditionally and without reservation to the United States.

CHAPTER 2. LEGISLATIVE HISTORY OF AND OPERATIONS UNDER THE TRADE AGREEMENTS ACT

1934–37

The Roosevelt administration, which came into power in 1933, was pledged to the reduction of the United States tariff, this having been an issue in the 1932 Presidential campaign. On March 2, 1934, President Roosevelt sent a message[9] to the Congress requesting authority to enter into executive commercial agreements with foreign nations for the reciprocal reduction of tariffs and other trade barriers. He proposed to use that authority "within carefully guarded limits to modify existing duties and import restrictions in such a way as will benefit American agriculture and industry." He stated that "a full and permanent domestic recovery depends in part upon a revived and strengthened international trade" and that "American exports cannot be permanently increased without a corresponding increase in imports." He pointed out that other governments were resorting increasingly to negotiated reciprocal trade agreements and he advocated that the United States do likewise in order to be "in a position at a given moment rapidly to alter the terms on which it is willing to deal with other countries." The delegation of a lesser degree of authority to the Executive, he stated, "would be ineffective." The executive branches of virtually all other major trading nations, he declared, "already possess some such power."

The President asked for the authority as "an essential step in the program of national economic recovery which the Congress has "elaborated" and as "part of an emergency program necessitated by the economic crisis through which we are passing." He requested that authority be granted to make the proposed trade agreements terminable within a period not to exceed 3 years, stating that a shorter period "probably would not suffice for putting the program into effect." He stated, further, that the exercise of this authority "must be carefully weighed in the light of the latest information so as to give assurance that no sound and important American interest will be injuriously disturbed" as "the adjustment of our foreign-trade relations must rest on the premise of undertaking to benefit and not to injure such interests."

The reciprocal trade agreements bill was introduced at a time when the United States and the other important trading countries of the world were suffering from the severe economic crisis which had enveloped the world in the 1930's. Under the impact of that depression, tariff duties were generally increased throughout the world, and multilateral trading on a nondiscriminatory basis was abandoned by many countries. As one country after another went off the gold standard, many currencies depreciated in value or their par was reduced by devaluation, foreign exchange rates lost their stability, and many currencies of the world ceased to be freely convertible into one another.

[9] H. Doc. 273 (73d Cong., 2d sess.) reproduced as appendix A.

In these circumstances, each country considered itself justified in adopting independently of all others—and without regard to the repercussions upon them—any measures which seemed appropriate to counteract pressure on its balance-of-payments position and to offset deflationary price trends. Numerous devices, such as exchange control, quantitative trade restrictions (particularly those fixing import quotas), increased preferences within empires, state trading, and devaluations of currency, were employed to achieve these objectives. Bilateral trading agreements were resorted to very widely, as providing means of exchange for countries lacking adequate reserves of gold and foreign currencies. Bilateralism also held an appeal for countries which, like Germany, were intent upon using it for political ends and for imposing harsh barter terms upon weaker trading nations.

Bilateralism was usually associated with a host of other discriminatory trade practices, the aggregate effect of which was to disrupt the interdependence of price structures in a large part of the world and to cause a decline in the volume of international trade. The trend in that direction was accentuated by the efforts of some countries to become more nearly self-sufficient in order to adjust their economies to the purposes of aggressive warfare or to defense against such warfare.

The general increase in tariff duties and tariff preferences and the adoption of other trade-restrictive measures by virtually all important trading countries operated to shrink further an international trade already declining because of the depression. The volume of world trade in 1933, as pointed out by President Roosevelt in his message to the Congress on March 2, 1934,[9] was only 70 percent of the volume in 1929; and the corresponding value was only 35 percent, prices having fallen sharply. The decline in this country's foreign trade was even more precipitous. United States exports in 1933 were only 52 percent of the volume, and 32 percent of the value, of the exports in 1929; the corresponding ratios for imports were 66 and 33 percent, respectively. Especially serious was the shrinkage in foreign markets for agricultural products, resulting in accumulation of huge stocks of these products in the United States.

The President's message of March 2, 1934, requesting authority to enter into executive commercial agreements with foreign nations, was transmitted to the House of Representatives simultaneously with the administration's trade-agreements bill. In general, the provisions of the bill paralleled those of the message, but the bill also contained some provisions to which no reference had been made in the message. The most important of these was the provision for unconditional most-favored-nation treatment, i.e., the bill provided that all trade concessions granted by the United States to any country should be extended (except in specified exceptional circumstances) to all other countries.

The President's message was discussed and the administration bill was debated at hearings before the House Ways and Means Committee and the Senate Committee on Finance, in both Houses of Congress, in the press, over the radio, and in public forums. The majority and minority reports of the House Committee on Ways and Means[10] received considerable publicity.

Inasmuch as the trade-agreements program was presented as an emergency measure designed to secure foreign outlets for

[10] H. Rept. 1000 (73d Cong., 2d sess.), Mar. 17, 1934.

surplus American products, to combat unemployment, and to revive foreign trade, congressional and public debate centered principally on whether tariff reductions were appropriate means of achieving these objectives. The majority report of the House Committee on Ways and Means, which strongly recommended adoption of the program, declared that there was a direct casual relationship between the shrinkage of world trade and the depression. It declared further that expansion of United States exports was a prerequisite to the restoration of our prosperity.

The minority report questioned the premises on which the message of the President and the majority report were based, and it enumerated a long list of objections to the bill. The minority report expressed the view that the decline in international trade was the effect rather than the cause of the depression, and that the importance of export trade to the American economy had been exaggerated. That trade, in 1929, the minority report stated, accounted for only one-tenth of the value of total domestic production of movable goods and for only one-seventeenth of the national income. The minority report also expressed fear that the increased volume of imports which would result from reductions in duty might seriously injure certain domestic industries and thus worsen rather than ameliorate an already unstable domestic situation. The proposed method of bargaining and the plan of generalizing concessions unconditionally were also criticized, principally on the score that they gave no assurance that increased purchases by the United States from an agreement country would result in a corresponding increase in United States sales to that country. The minority report also expressed the view that the power requested by the Executive was excessively broad and would be unconstitutional. The proposed trade agreements would in fact be treaties, the minority report held, and as such would require approval by two-thirds of the Senate.

After some 4 months of hearings and intensive debates, the Congress finally passed the Trade Agreements Act, and the President signed it on June 12, 1934. The House of Representatives had approved it on March 29, 1934, by a vote of 274 to 111; and the Senate on June 4, 1934, by a vote of 57 to 33.

In formulating the purposes of the Trade Agreements Act, the Congress explicitly declared the program to be an emergency measure intended primarily to assist in alleviating the pressure of surplus products on the domestic market. The primary objective, it was stated, was to promote United States exports by reducing barriers to, and facilitating the increase of, United States imports contingent upon reciprocal reductions in barriers by other countries. The authority to enter into trade agreements under the act was initially limited to 3 years, and the act provided that every agreement concluded under it should be subject to termination at the end of not more than 3 years after coming into effect. Reductions in duty made under the act were to be limited to 50 percent of the existing rate of duty.[11]

Although much of the support for the Trade Agreements Act came from consumer groups, savings to consumers were not among the expressed purposes of the act, and concessions made only with a view to such benefits would be outside the authority of the act. To make possible service on or repayment of foreign debts owed the United States likewise was not among the ends set forth in the act.[12]

Adoption of the trade-agreements program marked an important change in American commercial policy. The program gave official recognition to foreign trade as an important element in domestic prosperity and in securing a well-balanced relationship among the various components of the domestic economy. Expansion of exports was predicated upon the expansion of imports, and, finally, the principle of nondiscrimination as between countries, through guaranty of most-favored-nation treatment, was again given full and unreserved expression. Application of the principle, moreover, acquired new practical significance: for the first time it was linked with an active tariff-bargaining policy.

During the 3 years for which the authority to make trade agreements was originally granted to the President (1934–37) 16 trade agreements were concluded with 17 countries. The agreements were concluded in the following order: Cuba, Brazil, Belgium, and Luxemburg, Haiti, Sweden, Colombia, Canada, Honduras, the Netherlands, Switzerland, Nicaragua, Guatemala, France, Finland, Costa Rica, El Salvador.

The agreement with Cuba, unlike that with any of the other countries, was preferential. Probably the most far reaching of the agreements concluded during this period was the one made in 1936 with Canada. In addition to the trade agreements consummated in this period, negotiations (accompanied by the usual public hearings) were carried to a fairly advanced stage with both Spain and Italy but could not be concluded; later both of these negotiations were formally terminated.

1937–40

In 1937, after extensive hearings, the Congress renewed the Trade Agreements Act in its original form for a 3-year period ending in June 1940.

The arguments advanced in 1937 for and against renewal of the Trade Agreements Act closely resembled the arguments advanced when the original act was under consideration. This circumstance is explained largely on the score that the world-wide depression, though considerably alleviated, persisted throughout the life of the original act. Important factors other than the trade agreements program were operating during that period to increase the difficulty—always a formidable one—of isolating and evaluating the effects of the program itself on United States import and export trade. The severe droughts in 1934 and 1936, which affected wide areas of the United States, had an especially important bearing on United States trade, particularly in agricultural products.

The period 1937–40 was one in which momentous changes occurred throughout the world. Affected by preparation for war and actual war abroad and by defense activities at home, the depression in the United States lifted; exports rose, surplus stock dwindled, and unemployment declined. Japan extended its zone of military operations in the Far East over a wider area. During the earlier part of the period Germany's actions were already threatening to precipitate war in Europe; by the end of the period, Germany had overrun several countries and was obviously seeking, in alliance with others, to conquer the world.

Throughout 1937–40, the trade-agreements program continued to be advocated primarily as a means of promoting exports. Increasing emphasis was placed on the purpose of securing nondiscriminatory treatment for United States exports.

During the period of the first extension of the trade-agreement authority, agreements were negotiated with seven countries as follows: Czechoslovakia, Ecuador, United Kingdom, Canada, Turkey, Venezuela, Cuba.

The most important agreement in the group was with the United Kingdom. The agreement with Canada greatly expanded and superseded the 1936 agreement with that country. The agreement with Cuba was supplementary to the earlier agreement with that country.

1940–43

In 1940, when the Executive again requested a renewal of the Trade Agreements Act, the European war was the principal factor governing this country's foreign-trade relationships. A number of Congressmen, as well as other persons, therefore questioned whether continuation of a program originally conceived to promote exports and to reduce unemployment could achieve beneficial results under the radically altered circumstances. Secretary of State Cordell Hull, in testifying before the Senate Finance Committee on February 26, 1940,[13] sought to dispel any such doubts. He stated:

"If we were now to abandon the program, we would reduce to practically nothing the efficacy of the existing trade agreements as a means of safeguarding our exports from the inroads of wartime restrictions. The need for keeping alive the principles which underlie the trade-agreements program is crucial now, during the war emergency, and will be of even more decisive importance after the war. Even a temporary abandonment of the program now would be construed everywhere as its permanent abandonment. Unless we continue to maintain our position of leadership in the promotion of liberal trade policies, unless we continue to urge upon others the need of adopting such policies as the basis of postwar economic reconstruction, the future will be dark, indeed. The triumph or defeat of liberal trade policies after the war will, in large measure, be determined by the commitments which the nations will assume between now and the peace conference."

Opponents of the program rejected the thesis that it was an instrument for promoting international cooperation in the field of foreign trade. They argued that the scope of the program had been enlarged far beyond that originally intended and that for this reason the Congress should exercise closer supervision over its operation. They objected particularly to the fact that the trade-agreement authorities had reduced not only the duties imposed by the tariff act but also the excise taxes imposed on the importation of certain commodities (taxes which were held by the judiciary to be duties) in the Revenue Acts of 1932 and 1934. They objected also to the binding of items on the free list, to guaranteeing that no quotas would be imposed on imports of articles covered by trade-agreement concessions, to the binding of internal excise taxes against increase, and to agreement not to subject certain products to internal excise taxes. Special criticism, moreover, was made of the practice of generalizing trade concessions in accordance with the most-favored-nation principle, the direct consequence of which, they stated, was to inflict serious harm on a number of domestic industries.

The administration of the trade-agreements program was strongly defended against

[11] This language is vague, but it was obviously intended to preclude repeated reductions by successive agreements which would result in an aggregate reduction of more than 50 percent from the rate fixed by existing (or future) statute or proclamation under sec. 336 of the Tariff Act of 1930.

[12] However, to the extent that trade agreements were employed to secure equitable allocations of foreign exchange from debtor countries, the agreements did directly serve to facilitate service and repayment of such debts. Moreover, any increase in imports from a debtor country resulting from concessions by the United States would have that effect.

[13] U. S. Congress, Senate Committee on Finance, Extension of Reciprocal Trade Agreements Act, hearings on H. J. Res. 407 (76th Cong., 3d sess.), 1940, rev., p. 16.

these and other criticisms in the hearings before congressional committees and in the debates in the two Houses of Congress. The unconditional most-favored-nation principle was in particular vigorously defended. The majority report of the House Committee on Ways and Means described it as the "antithesis of the policy of discrimination which leads to retaliation, trade wars, and general anarchy in international commercial relations."[14] This report stated further that the principle "has not been, and should not be, a subject of partisan controversy. It has been advocated and applied by Republican as well as Democratic administrations."

Congress again extended the Trade Agreements Act in its original form for a 3-year period ending in June 1943.

During the 3 years 1940–43, United States foreign-trade relations were dominated principally by military considerations, especially after December 7, 1941.[15] World-wide hostilities seriously disorganized the economic structure of many countries, both belligerent and neutral; commercial intercourse between enemy countries was stopped; and the foreign trade of many neutral nations came under the control of either or both of the belligerent groups.

During the period that the second renewal of the Trade Agreements Act was in force (1940–43), the United States entered into agreement with the following seven countries:[16] Canada, Argentina, Cuba, Peru, Uruguay, Mexico, Iran.

The trade agreements with both Canada and Cuba were supplementary to the prior agreements with those countries. That with Canada related to only one product, silver-fox furs.

1943–45

The question of further extension of the trade-agreement authority came up again in 1943 in the midst of the war and received greater congressional support than in 1934, 1937, or 1940. The opponents of extension continued to advocate that trade agreements should require approval of Congress and to urge amendments limiting the authority of the President in various ways. As in preceding renewals, there was much debate on proposals made to require use of difference in cost of production for determinig maximum reductions in duties and to forbid reductions in duties on agricultural imports whenever competitive domestic products were selling below parity prices.

At this time, confidence in ultimate military victory over the Axis powers was strengthening, but it was accompanied by concern over the unpredictable economic conditions which would confront the United States when hostilities ended. As a consequence, proposals were made to relate the termination of trade agreements to the end of the war. Another proposal was to make trade agreements revocable by joint resolution of Congress.[17] The act was finally renewed in its original form, except for one minor amendment,[18] but only for a 2-year period, in contrast to the 3-year periods for which it had previously been extended. The act was now to expire in June 1945.

Negotiation of trade agreements during 1943-1945 was, as might be expected under war conditions, virtually at a standstill. Only one new agreement, that with Iceland, was negotiated. The agreement with Iran also came into effect during this period although it had been concluded previously.

1945 to negotiations at Geneva in 1947

When the Trade Agreements Act was considered for renewal in 1945, Germany's military operations had already collapsed, and Japan was meeting with major reverses. With the end of hostilities in sight, Congress began to give serious thought to the problems of peace.

It was apparent that Germany and Japan, important trading nations before the war, would not provide large-scale exports for some time to come. The export potentialities of other highly industrialized countries also had suffered under the strain of war. In contrast, the United States had greatly expanded its production capacity during the war and would be obliged, if serious economic dislocations were to be avoided, to maintain high production after hostilities ceased.

At this time the United Nations Conference in San Francisco (April 25 to June 26, 1945) was laying plans for the establishment of an organization for the maintenance of world peace. The United States and the other countries comprising the United Nations were pledging themselves, among other things, to cooperate in establishing economic conditions favorable to maintenance of international peace and security.[19]

President Roosevelt, in one of his last messages to Congress, strongly recommended renewal of the Trade Agreements Act, stating that "we cannot succeed in building a peaceful world unless we build an economically healthy world."[20] The House of Representatives Special Committee on Postwar Economic Policy and Planning (Colmer Committee), recommended not only renewal of the Trade Agreements Act, but also a broadening of the President's authority under it. Congressional debate was directed largely to the request of the President for broadened authority to reduce duties and to certain proposed amendments to provide for new limitations on the authority previously granted.

Much of the executive's bargaining power had been used up in the 11 years of negotiation under the authority granted in the original Trade Agreements Act. The maximum allowable reductions in duty had been made on over 40 percent of United States dutiable imports (as of 1939), and smaller reductions had been made on more than 20 percent of such imports. Authority to offer additional concessions would be necessary, it was argued, if extensive further concessions were to be obtained.

Assistant Secretary of State Clayton, in his testimony before the House Ways and Means Committee,[21] emphasized the importance of the program as a vehicle for expanding trade through private enterprise. Unless economic liberalism and the institution of private enterprise are retained by the majority of nations, multilateral trading, he asserted, is likely to be superseded by economic blocs and systems of governmental barter, both of which would tend in the long run to contract international trade and both of which are "contrary to our deepest convictions about the kind of economic order which is most conducive to the preservation of peace."

Congress again renewed the Trade Agreements Act, this time for a 3-year period to end in June 1948. For the first time, the act was amended in important respects, the principal change being to authorize the President to base tariff concessions on the rates in force on January 1, 1945, many of which had already been reduced by trade agreements. A detailed description of all the amendments made in 1945 is given in chapter 4 of this part of the report.

In the discussion which preceded the extension of the Trade Agreements Act with authority further to reduce duties, considerable attention was centered on the question of adequate safeguards for domestic producers in the event of further duty reductions, especially in view of the uncertainties of the postwar period. Spokesmen for the administration assured congressional committees that the effort had always been made to avoid serious injury to domestic industries and to afford adequate safeguards but that, going further, all future trade agreements under the act would contain a comprehensive escape clause similar to that which had been included in the trade agreement made with Mexico in 1942. This clause was interpreted to permit not only the withdrawal of a concession granted but also the modification of a concession, by imposing quota limitations on imports, or otherwise, when found necessary to prevent or remedy serious injury to domestic producers. Just before the United States, under authority of the act as amended in 1945, began tariff negotiations at Geneva, the President, in Executive Order 9832, issued February 25, 1947, established the specific requirement that in every agreement thereafter entered into under the authority of the act, an escape clause of this character should be included.[22]

Before the negotiation of the multilateral trade agreement in Geneva in 1947, only one new amendment was concluded under the Trade Agreements Act as amended in 1945—the agreement with Paraguay signed in September 1946 and made effective in April 1947.

CHAPTER 3. THE GENEVA NEGOTIATIONS AND OTHER RECENT INTERNATIONAL EFFORTS TO REHABILITATE WORLD TRADE

In November 1945 the United States Government published and transmitted to other

[14] H. Rept. 1594 (76th Cong., 3d sess.), p. 41.

[15] Even before the United States formally became a belligerent, it supplied munitions of war under the Lend-Lease Act (March 11, 1941) to those countries which were actively engaged in resisting aggression. And on January 1, 1942, the United States and each of the 25 other countries comprising the United Nations not only subscribed to the principles set forth in the Atlantic Charter (August 14, 1941) but also pledged inter alia "to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war."

[16] After the Japanese attack on Pearl Harbor in 1941, Secretary of State Hull revealed that on November 26, 1941, the United States had proposed to Japan a comprehensive agreement which provided inter alia: That Japan withdraw all military and police forces from China and Indochina; that neither the United States nor Japan support any government or regime in China other than the National Government of the Republic of China; that both governments give up all extraterritorial rights in China; and that the United States and Japan "enter into negotiations for the conclusion * * * of a trade agreement, based upon reciprocal most-favored-nation treatment and reduction of trade barriers by both countries, including an undertaking by the United States to bind raw silk on the free list" (Department of State Bulletin, vol. 5, December 13, 1941, pp. 462–464).

[17] United States Congress, Senate Committee on Finance, Extension of Reciprocal Trade Agreements Act, Hearings on H. J. Res. 111 (78th Cong., 1st sess.), 1943, rev., p. 9.

[18] This amendment is described in chapter 4 of this section of the report.

[19] This pledge was formally undertaken when the United Nations Charter was signed by the United States and 49 other nations on June 26, 1945. (Poland, one of the original members of the United Nations, signed on October 15, 1945.)

[20] CONGRESSIONAL RECORD, vol. 91, pt. 2 (79th Cong., 1st sess.), Mar. 26, 1945, p. 2793.

[21] U. S. Congress, House Committee on Ways and Means, 1945 Extension of Reciprocal Trade Agreements Act, hearings on H. R. 2652, superseded by H. R. 3240 (79th Cong., 1st sess.), 1945, vol. 1, rev., p. 20.

[22] A fuller discussion of the escape clause and Executive Order 9832 is given in ch. 4 of this section of the report.

governments for their consideration the document proposals for expansion of world trade and employment.[23] These proposals, which were developed by a technical staff within the Government of the United States, were intended for consideration by an international conference on trade and employment. They called for the establishment of an international trade organization of the United Nations, suggested the structure for such an organization, and laid down procedures for reducing tariffs and for abolishing, so far as practicable, tariff preferences and nontariff barriers to the flow of trade between countries. On December 13, 1945, the United States Government announced that it had followed this document up by inviting 15 other countries (Australia, Belgium-Luxemburg, Brazil, Canada, China, Cuba, Czechoslovakia, France, India, Netherlands, New Zealand, Union of South Africa, Soviet Union, and the United Kingdom) to meet with it to prepare projects for consideration by a general international conference on trade and employment and to negotiate with each other for the reciprocal reduction of tariffs and the elimination of tariff preferences.

The proposed tariff negotiations and the proposed charter for an international trade organization were part of a broad program designed to rehabilitate the world trading system, which had been largely disrupted by the war, and represented the culmination of a long series of international efforts to that end initiated by the United States Government. The history of these efforts is briefly set forth below.

The Atlantic Charter and lend-lease agreements

The Atlantic Charter, proclaimed in August 1941 by President Roosevelt and Prime Minister Churchill, pledged their respective governments to assist all states on equal terms (but with due regard to existing obligations) and to obtain access to the trade and raw materials of the world essential to their economic prosperity. Subsequently all the other countries which joined the United Nations during the continuance of hostilities joined in this pledge.

Under the lend-lease program, which became effective on March 11, 1941, the United States and various other members of the United Nations committed themselves to broad proposals for the reduction of trade barriers. In article VII of each of the master lend-lease agreements executed between the United States and various other members of the United Nations, the governments concerned agreed that, in the final settlement for lend-lease aid, provision should be included for agreed action directed to the expansion of employment and of the exchange and consumption of goods, to the elimination of discriminatory treatment in international trade, to the reduction of tariffs and other trade barriers, and to the attainment of the other objectives of the Atlantic Charter.

The United Nations and subsidiary organizations

Chapters IX and X of the United Nations Charter, adopted in June 1945, created the Economic and Social Council, one of the main functions of which is to promote international economic cooperation.[24] Subsidiary organizations of the United Nations likewise obligated member countries to participate in various programs of economic collaboration. For example, when the Food and Agriculture Organization was established, members of the United Nations agreed to cooperate, after the cessation of hostilities, in programs to maintain open channels of world trade.

The International Monetary Fund and the International Bank for Reconstruction and Development

Following the Bretton Woods Conference in July 1944, the International Monetary Fund and the International Bank for Reconstruction and Development were created. Members of the Monetary Fund agreed, in effect, to assist one another in reducing or avoiding monetary disturbances and in making the currencies of the member nations freely convertible into one another. The resources of the Monetary Fund were not available to finance capital investments or long-term transactions; that type of assistance was to be rendered by the International Bank for Reconstruction and Development, which was authorized to extend credits for the purpose of promoting the postwar reconstruction and rehabilitation of national economies and their orderly development thereafter.

Proposed charter for an International Trade Organization

During the war years various interdepartmental committees, composed of United States Government officials and experts having to do with foreign-trade policies, devoted much time to consideration of how to reestablish world trade after the war on a multilateral basis and how to eliminate the arbitrary restrictions, discriminations, and barter arrangements which had grown up in that period and during the depression of the 1930's. These interdepartmental committees envisaged the creation of an international trade organization for this purpose and prepared a tentative draft of a charter for such an organization. This draft was made the subject of discussions with representatives of the United Kingdom during the progress of the negotiations which resulted in the Anglo-American Financial and Commercial Agreements of 1945.[25]

The financial agreement provided not only that the United States would extend a line of credit (of $3,750,000,000) to assist the United Kingdom in meeting its postwar balance-of-payments difficulties, but also that the two governments would support a program designed to promote a more rapid transition from controlled bilateral to free multilateral trading. The principles to be included in such a program were incorporated by the State Department in the United States proposals for the expansion of world trade and employment, to which reference has already been made. The British Government declared itself to be in full agreement on all important points in these proposals and accepts them as a basis for international discussion."[26]

As the suggestion of the United States for the establishment of an international trade organization was favorably received by most members of the United Nations, the Economic and Social Council in February 1946 undertook, on motion of the United States, to sponsor the International Conference on Trade and Employment envisaged in the United States proposals. The Council set up a preparatory committee which was to arrange for the conference, to draft an agenda for its deliberations, and to prepare a draft charter for the proposed organization. The 20 countries invited to serve on that committee were Australia, Belgium-Luxemburg, Brazil, Canada, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon (on behalf of the Lebanon-Syrian Customs Union), the Netherlands, New Zealand, Norway, the Union of South Africa, the Soviet Union, the United Kingdom, and the United States. This list comprised the 15 countries which the United States had originally invited to participate in a trade conference plus 4 others (Chile, Lebanon, Syria, and Norway). All except the Soviet Union accepted the Council's invitation.

The first session of the preparatory committee convened in London in October 1946. In preparation for this meeting, the United States Department of State issued in September the document Suggested Charter for an International Trade Organization of the United Nations. This document, which was adopted as a basis for discussion at the London conference, was an elaboration of the Proposals for Expansion of World Trade and Employment issued earlier. The draft charter which emerged from the London session was a substantial revision of the suggested charter and in particular included an entirely new chapter on economic development. With respect to certain articles of the suggested charter, however, no decision was reached.

Before the close of its first session the preparatory committee appointed a drafting committee to make further alterations in the draft charter. As a result of the labors of this drafting committee in New York during January-February 1947, there emerged the New York draft, which was taken as a basis for discussions at the second session of the preparatory committee which met in Geneva in April 1947. At that meeting, after more than 4 months of discussion and a series of compromises, a new draft embodying many alterations and changes was prepared for submission to the United Nations Conference on Trade and Employment which met in Habana, Cuba, on November 21, 1947. The conference completed its work March 24, 1948, after making further revisions and completing the charter.

Trade negotiations at Geneva in 1947

The United States invitation issued in December 1945 to 15 countries was not only to prepare projects for consideration by a general international conference on trade and employment but also to negotiate, both with the United States and with each other, for the reduction of tariffs and the elimination of tariff preferences on specific commodities.

The Preparatory Committee, at its first session in London, adopted a resolution recommending to the governments concerned that the tariff negotiations to which the United States had issued invitations be held under the sponsorship of the Preparatory Committee as a part of its second session. It also recommended procedures for carrying through the negotiations in such a way as to give effect to certain provisions of the charter of the International Trade Organization by means of a general agreement on tariffs and trade among the members of the Preparatory Committee.[27] These recommendations were accepted; accordingly tariff negotiations were conducted at Geneva (April–October 1947) as a part of the second session of the Preparatory Committee for the United Nations Conference on Trade and Employment.

[23] U. S. Department of State, Commercial Policy Ser. 79, pub. 2411, 1945.

[24] See arts. 55 and 56 of the Charter of the United Nations.

[25] Department of State Publication 2439 (Commercial Policy Ser. 80), 1945. This includes joint statements on commercial policy, lend-lease, and other matters, as well as the Anglo-American Financial Agreement (loan agreement), for which see also Treaties and Other International Act Series 1545 (Department of State Publication 2676), 1946.

[26] "Proposals on World Trade and Employment: Joint Statement by the United States and the United Kingdom," Department of State Bulletin, vol. 13, Dec. 9, 1945, p. 912 (State Department Press Release No. 905, Dec. 5, 1945).

[27] Report of the First Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, London, 1946, p. 48.

The results of the negotiations on tariff and tariff preferences were included in a General Agreement on Tariffs and Trade, which also included general provisions, most of them similar to the corresponding provisions in the Geneva draft of the proposed Charter for an International Trade Organization.[28] The negotiations, however, were conducted largely on a bilateral basis. The United States, for example, conducted separate negotiations with each of the other countries represented on the Preparatory Committee. The 19 countries (including the United States) on this Committee commenced negotiations with each other as 16 so-called negotiating units, one of these being the Benelux Customs Union (Belgium, Luxemburg, and the Netherlands) and another the Lebanon-Syrian Customs Union. During the course of the negotiations, however, the number of negotiating units was increased by four: Burma, Ceylon, and Southern Rhodesia, for whom negotiations were initially conducted by the United Kingdom, and Pakistan, which came into existence during the course of the negotiations. Thus, in all, 23 countries, including the United States, signed the final act authenticating the text of the General Agreement on Tariffs and Trade. So far (April 1948), however, only nine countries have signed the Protocol of Provisional Application and put the agreement into effect provisionally, subject to termination on 60 days' written notice.[29]

The principal reason advanced for conducting tariff negotiations simultaneously with a number of countries was that such procedure seemed to give promise of securing a greater and more prompt relaxation of trade barriers the world over than would be possible under the trade-agreement procedures previously employed. It was thought that the willingness and ability of individual countries to reduce trade barriers, eliminate preferential and other discriminatory trading practices, and renounce barter arrangements would generally depend on the willingness of others to take corresponding action and that simultaneous negotiations would provide an opportunity for each participating country to exploit its bargaining position more fully in dealing, for example, with two or more countries interested in a concession on the same or similar terms. Moreover, it was believed that the proposed negotiating procedure would facilitate simultaneous change in duties on related items in the tariff schedule, a practice not generally possible in ordinary bilateral negotiations. It was recognized, however, that the simultaneous negotiation procedure had certain disadvantages, the principal one being that successful negotiation by each pair of countries might be contingent upon the success of the negotiations as a whole.

So far as the United States was concerned, the negotiations conducted at Geneva were under the authority of the Trade Agreements Act, as amended, and in accordance with the procedures established thereunder. As a necessary preliminary to participation in these negotiations, the United States Department of State announced formally in November 1946 that the United States intended to participate in the aforementioned trade negotiations in Geneva in the following year. The formal public announcement contained a list of the items in the United States tariff schedule on which this Government was prepared to consider granting tariff concessions.

Public hearings were conducted in Washington, D. C., from January 13 to January 31, 1947,[30] for the purpose of giving interested parties an opportunity to make representations concerning the proposed negotiations. Actual trade negotiations began in Geneva on April 10, and continued until October 30, 1947, when the final act authenticating the multilateral agreement was signed by the United States and the other participating countries. The manner in which the negotiations were conducted and the results of the negotiations are described in later sections of this report.

CHAPTER 4. LEGISLATION AND EXECUTIVE ORDERS PERTAINING TO TRADE AGREEMENTS

Trade Agreements Act of 1934

The original Trade Agreements Act,[31] which went into effect June 12, 1934, was an amendment to the Tariff Act of 1930. That amendment became section 350 under title III, part III, of the Tariff Act, a part entitled "Promotion of Foreign Trade."

The Trade Agreements Act, according to its preamble, was enacted "for the purpose of expanding foreign markets for the products of the United States." This purpose was sought "as a means of assisting in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce."

The expansion of foreign trade was to be accomplished "by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States."

To carry out the purpose of the act by the prescribed means, the Congress authorized the President of the United States—

"(1) To enter into foreign-trade agreements with foreign governments or instrumentalities thereof; and (2) to proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign-trade agreements, as are required or appropriate to carry out any foreign-trade agreement that the President has entered into hereunder."

Authority was conferred upon the President to enter into trade agreements under the act "whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States."

The President's authority to proclaim changes in United States duties or other import restrictions was circumscribed by three specific limitations:

(1) No rate of duty could be increased or decreased by more than 50 percent of the existing rate.

(2) No article could be transferred between the free and dutiable lists.

(3) Duties proclaimed under authority of the act were to apply to imports from all countries, except that the President was authorized to withhold trade concessions from countries which either discriminate against American commerce or pursue policies which tend to defeat the purposes of the Trade Agreements Act.[32]

The act specifically provided that trade agreements with counties other than Cuba should not prevent continuance or modification of the long standing preferential trade relations existing between the United States and Cuba.[33] United States rates of duty applicable to imports from Cuba could be increased or decreased, in accordance with an agreement with that country, by as much as 50 percent.

Procedural limitations imposed upon the President required that before he should conclude a trade agreement under authority of the act—

"(1) Reasonable public notice of the intention to negotiate an agreement * * * shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate. * * *

"(2) The President shall seek information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce, and from such other sources as he may deem appropriate."

The act provided that every trade agreement made under its authority should be subject to termination, upon due notice to the foreign government concerned, at the end of not more than 3 years from the effective date of the agreement. If not then terminated, the agreement would be subject to subsequent termination upon not more than 6 months' notice. The President's authority to enter into trade agreements was limited to a 3-year period dating from enactment of the law.

Extensions of the Trade Agreements Act

The Trade Agreements Act was renewed by joint resolutions of Congress in 1937,[34] 1940,[35] and 1943.[36] The first two of these extensions were for 3-year periods and the third extension was for 2 years. No other changes were made in the provisions of the original act, except that the renewal in 1943 specifically included "operations of international cartels" among the acts of a foreign country which would provide the President with a basis for withholding from that country trade-agreement concessions which would otherwise be extended to it.

When the Trade Agreements Act was renewed by the Congress in 1945, again by joint resolution,[37] it was amended in important respects. The principal modification was a change in the base upon which the maximum permissible changes in tariff rates would be calculated. Whereas under the original Trade Agreements Act any duty could be increased or decreased by 50 percent of the "existing

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[28] The primary purpose of the general provisions in the General Agreement, as well as of the general provisions in trade agreements made under the Trade Agreements Act prior to the Geneva negotiations, was to safeguard the tariff concessions made in the agreements. The general provisions in trade agreements are discussed in chapter 6 of this part of the report.

[29] This protocol is discussed in chapter 6 of this part of the report. Czechoslovakia, the tenth nation to sign, did so on March 21, 1948, putting the agreement into effect provisionally on April 21, 1948.

[30] Supplementary hearings were also held in Washington, D. C., on February 6, and on March 20, 1947..

[31] Public Law 316 (73d Cong., 2d sess.). (See appendix B.)

[32] Under authority of this provision, trade-agreement concessions were withheld from Germany and, for a short time, from Australia.

[33] First provided for by the treaty of commercial reciprocity concluded between the United States and Cuba in 1902.

[34] Public Res. 10 (75th Cong., 1st sess.), 1937.

[35] Public Res. 61 (76th Cong., 3d sess.), 1940.

[36] Public Law 66 (78th Cong., 1st sess.), 1943.

[37] Public Law 130 (79th Cong., 1st sess.), 1945, reproduced as appendix C.

rate," [38] under the 1945 extension of the act the same maximum percentage change could be applied against whatever rate was in existence on January 1, 1945 (including even a rate temporarily suspended by act of Congress). Thus, if a rate had already been reduced by 50 percent, it could be reduced an additional time by 50 percent, or 75 percent below the original rate. However, if the rate in effect on that date was an emergency rate such as was established for a number of commodities by trade agreements made during the war, any further change was to be calculated on the basis of the postemergency rate. Furthermore, whenever the United States reserved the unqualified right, under provisions of a trade agreement, to withdraw or modify a rate on a specific commodity after the termination of war or an emergency "the rate on such commodity to be considered as 'existing on January 1, 1945' * * * shall be the rate which would have existed if the agreement had not been entered into." The 1945 amendment also provided that no agreement could be proclaimed which had already been terminated in whole by the President before enactment of the amendment.

Another provision of the 1945 amendment added the War and Navy Departments to the group of Government agencies from which the President is required to "seek information and advice" with respect to foreign-trade agreements.

Executive Order 9832

On February 25, 1947, the President issued Executive Order 9832,[39] the purpose of which, according to the Presidential statement [40] which accompanied it, was to formalize and make mandatory certain existing trade-agreement procedures and to change certain of those procedures, in order to make assurance doubly sure that American interests will be properly safeguarded. The statement reaffirmed the administration's faith in the Cordell Hull reciprocal trade-agreements program and explained that the provisions of the Executive order did not deviate from the traditional Cordell Hull principles.

General Escape Clause

The provision of the order particularly designed to safeguard American interests is that requiring insertion in all future trade agreements of a so-called escape clause under which the United States reserves the right to withdraw (under specified circumstances) a concession which causes or threatens serious injury to domestic producers. Such a clause was in fact contained in the trade agreement with Mexico signed December 23, 1942.

Under the mandatory escape clause, a trade-agreement concession on any article may be withdrawn, in whole or in part, or modified, to the extent and for such time as may be necessary, whenever all of the following conditions are present:

(1) Imports of the articles have increased.

(2) This increase has resulted from the concession and from developments unforeseen at the time the agreement was consummated.

(3) The increase has been in such quantity and under such conditions as to cause, or threaten, serious injury to domestic producers of like or similar articles.

The Executive order designates the Tariff Commission as the agency responsible for determining when the aforementioned conditions exist. The Commission is required to conduct investigations for that purpose upon the request of the President, upon its own initiative, or upon application of an interested party when in the judgment of the Tariff Commission there is good and sufficient reason therefor. Whenever the Commission shall find, as a result of such investigation, that serious injury is being caused or threatened, the Commission is required to report its finding to the President and to recommend, for his consideration in the light of the public interest, withdrawal or modification of the concession.

In the conduct of investigations, the Commission is required to hold public hearings; to give reasonable advance notice thereof to the public; and to afford reasonable opportunity for interested parties to be present, to produce evidence, and to be heard at such hearings. The Tariff Commission is instructed to prescribe from time to time the rules and regulations governing investigations and hearings.[41]

The Executive order also requires the Commission to keep informed at all times on the operation and effect of trade-agreement provisions relating to duties or other import restrictions of the United States and to submit to the President and the Congress, at least once a year, a factual report on the operation of the trade agreements program. The present report, which is made in compliance with the Executive order, is the first comprehensive report covering the program as a whole.

Interdepartmental Committee on Trade Agreements

Part II of Executive Order 9832 designates an Interdepartmental Committee on Trade Agreements (usually referred to as the Trade Agreements Committee) to act as the agency through which the President should seek information and advice from Government agencies before concluding a trade agreement and prescribes the procedures which shall be followed in making such an agreement. For the most part the Executive order formalizes the organization (including an interdepartmental committee on trade agreements) and general procedure which has been followed since enactment of the original Trade Agreements Act. Membership of the Trade Agreements Committee has changed from time to time, but most of the Departments which were originally represented on it continue to be represented on it under the Executive order, which names as members a Commissioner of the Tariff Commission and persons designated from their respective agencies by the Secretaries of the Departments of State, Treasury, War, Navy, Agriculture, Commerce, and Labor. The War and Navy Departments were first represented on the Trade Agreements Committee on July 5, 1945, as provided in the extension and amendment of the Trade Agreements Act on that date. The representative of the State Department had always served as Chairman of the Trade Agreements Committee and under Executive Order 9832 continues to serve in the same capacity.

The Executive order allocates among the Departments represented on the Trade Agreements Committee responsibility for carrying out various phases of the work involved in the negotiation of trade agreements. For the most part the order in this respect formalizes practices which had already been in use. The Tariff Commission is required to submit to the Trade Agreements Committee a digest of the facts relative to the production, trade, and consumption of each import item considered by that committee for inclusion in a trade agreement; to estimate the probable effect of granting the concession; and to describe the competitive factors involved. The Tariff Commission is required to publish these digests, excepting only those parts containing confidential material. The Department of Commerce is assigned corresponding functions with respect to United States export items considered for inclusion in a trade agreement, but the Department of Commerce is not required to publish its digests.

It is provided that the Trade Agreements Committee shall make such recommendations to the President—rather than to the Secretary of State as previously—"relative to the conclusion of trade agreements, and to the provisions to be included therein, as are considered appropriate to carry out the purposes" set forth in the Trade Agreements Act as amended. These recommendations are to be made after the committee has considered and analyzed all information available to it, including the information submitted by the Tariff Commission and the Department of Commerce and the views of interested persons which have been presented to the Committee for Reciprocity Information [42] and submitted by that committee to the Trade Agreements Committee. This procedure is substantially in continuation of that previously followed by the Trade Agreements Committee. There is, however, one important innovation. If any recommendation of the Trade Agreements Committee does not have unanimous approval, the dissenting member or members are required to submit to the President a report "giving the reason for their dissent and specifying the point beyond which they consider any reduction or concession involved cannot be made without injury to the domestic economy."

Most-Favored-Nation Treatment of United States Exports

Part III of Executive order 9832 requires that each trade agreement shall contain "a most-favored-nation provision securing for the exports of the United States the benefits of all tariff concessions and other tariff advantages hereafter accorded by the other party or parties to the agreement to any third country. This provision shall be subject to the minimum of necessary exceptions and shall be designed to obtain the greatest possible benefits for exports from the United States." The Trade Agreements Committee is instructed to keep informed of discriminations by any country against United States trade and, "if the public interest will be served thereby," to recommend to the President that trade-agreement concessions be withheld from such country.

CHAPTER 5. ADMINISTRATIVE ORGANIZATION AND PROCEDURE

Executive Committee on Economic Foreign Policy

Although interdepartmental activities in connection with the administration of the Trade Agreements Act are centered in the Interdepartmental Committee on Trade Agreements, reference should first be made to the Executive Committee on Economic Foreign Policy (formerly the Executive Committee on Commercial Policy). The major functions of the Executive Committee are to assist in formulating and coordinating our Government's foreign economic policy. When this Committee was created by Executive letter of November 11, 1933,[43] its membership

[38] See footnote 11, ch. 2.

[39] Reproduced as appendix D.

[40] Reproduced as appendix E.

[41] See U. S. Tariff Commission, Procedure and Criteria With Respect to the Administration of the "Escape Clause" in Trade Agreements, 1948 [processed].

[42] This committee, whose composition and function are described in chapter 5 of this part of the report, was created by Executive Order 6750, dated June 27, 1934 (see appendix F). The committee remained under the jurisdiction of the Executive Committee on Commercial Policy (also described in chapter 5) until July 1939, when jurisdiction was transferred to the State Department under Executive Order 8190 (appendix G). Executive Order 6750 was again amended, principally to provide for an enlarged membership, by Executive Order 9647, dated October 25, 1945 (appendix H).

[43] This Committee was continued by Executive Orders 6656 (March 27, 1934) and 7260 (December 31, 1935), and Executive letter of April 5, 1944.

consisted of representatives of the Tariff Commission, the National Recovery Administration, and the Departments of State, Treasury, Commerce, and Agriculture. It was this Committee which assumed chief responsibility for the preparation of the original draft of the legislation culminating in the Trade Agreements Act and, subsequently, for making the initial recommendations regarding machinery for its administration.

The primary functions of the Executive Committee have not changed, but its membership has been modified and enlarged from time to time. Its present membership includes representatives from the Departments of State, Treasury, Agriculture, Commerce, Interior, Labor, National Military Establishment, National Security Resources Board, and the Tariff Commission. Other agencies also are consulted by the Committee when problems of particular interest to them are under consideration. It takes no direct part in the administration of trade-agreement legislation, this function having been assigned (under Executive Order 9832) to the Interdepartmental Committee on Trade Agreements. The Executive Committee on Economic Foreign Policy, however, does act in an advisory capacity in connection with matters of general policy which may be referred to it from time to time by the Trade Agreements Committee and the Committee on Reciprocity Information.

Interdepartmental Committee on Trade Agreements

Organization

Section 4 of the Trade Agreements Act of 1934 prescribed that before concluding any trade agreement "the President shall seek information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce, and from such other sources as he may deem appropriate."[44]

The Interdepartmental Committee on Trade Agreements (or the Trade Agreements Committee as it is usually called) was established shortly after the passage of the Trade Agreements Act for the purpose of supplying such "information and advice." Under this provision, the Trade Agreements Committee collects, sifts, and collates information obtained from Government agencies and from other sources with a view to making recommendations to the President and otherwise assisting him in the conduct of trade-agreement negotiations. The Trade Agreements Committee originally included members not only from the agencies specified in the act, but also from the Treasury Department, the Office of the Special Adviser on Foreign Trade, the National Recovery Administration, and the Agricultural Adjustment Administration. During the war, the Board of Economic Warfare and the Office of Price Administration were represented on the Committee. The present membership (April 1948) includes representatives from the Departments of State, Commerce, Agriculture, Treasury, Army, Navy, and Labor, and from the Tariff Commission. The Trade Agreements Committee has always made a practice of consulting Government departments and agencies which were not members of the Committee when matters of interest to them were under consideration.

A representative from the State Department has always served as chairman of the Committee. This representative has been the chief of the State Department's division which supervises trade-agreement matters. That division, established in 1935 as the Division of Trade Agreements, became in 1944, after a series of changes in name, the Division of Commercial Policy.

[44] When the Trade Agreements Act was extended in 1945, the War and Navy Departments were added to the above list.

Only one member from each agency has a vote on the Trade Agreements Committee. Decisions are by a simple majority of the members present and voting. Dissenting members have always been free to submit minority reports to the Secretary of State and even to the President; Executive Order 9832 (February 1947) requires dissenting members to submit them to the President. Members must not only set forth the reasons for their dissent, but they must also specify "the point beyond which they consider any reduction or concession involved cannot be made without injury to the domestic economy."

Functions and Subcommittees

The Trade Agreements Committee is responsible for recommending to the President specific trade agreements, for framing their detailed content, and for directing and supervising the whole trade agreements program. In turn, the Trade Agreements Committee has the aid of a number of subcommittees whose work it supervises.

The most important subcommittees are the so-called country committees. One of these is appointed whenever an agreement with some particular country is taken under active consideration. Like the Trade Agreements Committee, the country committees are interdepartmental and their members are designated by their respective agencies. Serving on each of these subcommittees are members from the Departments of State, Commerce, and Agriculture, and from the Tariff Commission.

The country committee for any given country analyzes the mass of information supplied by the various Government agencies, together with that supplied by private parties through the Committee for Reciprocity Information. On the basis of the information gathered, it makes specific recommendations to the Trade Agreements Committee on the content of the proposed trade agreement. Country committees function not only during the period of preparation for negotiation of agreements, but also during the actual negotiations.

At times the Trade Agreements Committee has established subcommittees other than the country committees, including the so-called commodity subcommittees. These latter subcommittees have supplied technical and tariff information on the more important groups of commodities and have estimated the effects on the domestic economy of granting (or of receiving) trade-agreement concessions on such commodities. The commodity subcommittees have been organized on the same interdepartmental basis as the country committees. The Trade Agreements Committee has also at times referred special problems to subcommittees of its own members.

Committee for Reciprocity Information

Section 4 of the Trade Agreements Act provides that before the President shall conclude an agreement with any foreign government under authority of that act, "reasonable public notice of the intention to negotiate * * * shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate, under such rules and regulations as the President may prescribe."

In conformity with the above provision, the President created the Committee for Reciprocity Information on June 27, 1934.[45] This is an interdepartmental committee on which the agencies represented are generally the same as those on the Trade Agreements Committee. Most persons designated to serve on the Trade Agreements Committee are also designated to serve on the Committee for Reciprocity Information. The agency representation on the latter committee has therefore been changed from time to time.[46] Each agency ordinarily designates one or two representatives to serve on this committee, but on two occasions—once before the negotiations with the United Kingdom in 1938 and again before the negotiations with the group of nations at Geneva in 1947—each agency appointed several representatives. These appointments were made to permit simultaneous hearings before a number of panels. The chairman of the Committee for Reciprocity Information is designated by the Secretary of State. Since the inception of this committee, the Secretary has regularly appointed to this post the Vice Chairman of the Tariff Commission.

[45] Executive Order 6750, June 27, 1934. See appendix F.

The primary functions of the Committee for Reciprocity Information are to provide an opportunity for all interested parties to present their views on proposed trade agreements and to see to it that those views are brought to the attention of both the members of the country committee concerned and the Trade Agreements Committee. For these purposes, the Committee for Reciprocity Information publicly announces the dates for filing briefs and the dates on which public hearings will be held; it acts as a depository for the briefs; it conducts the formal hearings at which oral presentations are made; it digests and classifies all the information contained in briefs and presented orally; and it forwards to the appropriate committees all the information and material it collects, in both the original form (briefs and trancripts of hearings) and abstracted form.

The Committee for Reciprocity Information employs a full-time secretary to take care of correspondence, to supervise the maintenance of files, and to channel information between interested private parties and appropriate personnel of the trade-agreements organization. Where circumstances warrant, the secretary of the Committee for Reciprocity Information also arranges for informal conferences between private parties and the committee or members of it, particularly regarding the operation of existing trade agreements.

Procedure followed in negotiating agreements

The various steps taken in the negotiation of a trade agreement are set forth below in the same sequence in which they generally occur. Some of the steps, however, overlap others in whole or in part.

[46] Executive Order 6750 provided that membership of the Committee for Reciprocity Information should be composed of appointees designated from their respective agencies by the Secretaries of State, Agriculture, and Commerce, the National Recovery Administrator, the Chairman of the Tariff Commission, the special adviser to the President on foreign trade, and the heads of such other Federal departments or offices as may be named from time to time by the Executive Committee on Commercial Policy. Executive Order 8190, July 5, 1939 (appendix G), which placed the Committee for Reciprocity Information under jurisdiction of the State Department, continued the arrangement whereby the Executive Committee on Commercial Policy designated members to the Committee for Reciprocity Information. Executive Order 9647, October 25, 1945 (appendix H), specified that members should be designated to represent their respective agencies by the Chairman of the United States Tariff Commission, by the Secretaries of State, Treasury, War, Navy, Agriculture, and Commerce, and by heads of such other agencies as the Secretary of State may designate upon the recommendation of the committee.

Preliminary Exploration

Before a trade agreement can be negotiated, the United States and the other country concerned must come to a tentative understanding that a basis for such an agreement exists. Conversations looking toward a trade agreement may be initiated either by the United States or the other country concerned; such conversations ordinarily take place through the regular diplomatic channels. Sometimes the foreign country does not understand the nature of the trade agreements into which the United States is prepared to enter. If the foreign country is unable or unwilling to negotiate within the limitations imposed by the Trade Agreements Act or is unwilling to grant to the United States unconditional most-favored-nation treatment and to receive concessions from the United States on a basis of their extension to all other countries, these preliminary conversations reveal the misunderstanding, and no further effort is directed toward negotiating an agreement at that time. On the other hand, if the preliminary conversations give evidence of the desire and ability of both countries to proceed to negotiation of an agreement, the Trade Agreements Committee appoints a country committee to make a detailed examination of all factors pertinent to such a negotiation.

Immediately upon being organized, the country committee requests the Commerce Department to supply information on past United States exports to the country in question, and requests the Tariff Commission to supply corresponding information on past United States imports from that country. The country committee then analyzes these data in the light of all other factors known to it which are pertinent to the future composition and magnitude of the trade between the two countries; after that, the committee prepares a tentative list of United States export articles on which the United States Government should request concessions of the foreign country, and a corresponding list of the import articles on which the United States should consider granting concessions to that country. The country committee then submits its report to the Trade Agreements Committee, together with its recommendation concerning the desirability of seeking an agreement with the country in question.

On the basis of the report and recommendations received from the country subcommittee, the Trade Agreements Committee may decide for or against proceeding with negotiations, or it may request additional information from that subcommittee before making its decision. For example, if the Trade Agreements Committee concludes that the United States is not likely to obtain concessions equivalent to those which it would be obliged to grant or if it learns that the foreign country is no longer interested in an agreement, the committee recommends to the State Department that no further steps be taken to effect an agreement. On the other hand, if a balanced agreement appears possible, the Trade Agreements Committee transmits to the President a recommendation that formal negotiations be undertaken, and accompanies that recommendation with two tentative lists of items: Those on which concessions might appropriately be asked of the foreign country and those on which concessions might be granted by the United States.

In the preparation of the list of commodities on which the United States might consider the grant of concessions, the country committee and the Trade Agreements Committee carefully consider both the competition between imports and domestic goods and the past and probable future sources of imports of the commodities. It is the general policy, in an agreement with any given country, not to grant a concession unless that country has been or is likely to become the principal, or at least a major, source of imports of the commodity.[47] Statistics on past imports are examined and any facts pointing toward a change in the sources of the imports are weighed.

After the proposal to negotiate is approved by the Secretary of State and the President, formal discussions with the foreign country are instituted. If that country is willing to negotiate, the first step is to reach an agreement with it on the list of articles on which the United States will tentatively consider granting concessions. Often the foreign country asks that more (sometimes many more) articles be included in the list than are included in it initially. These requests for additional listings are considered by the United States trade-agreement organization in the light of the principles on which the original list was based; some of the requests for listing may be granted and others refused. The foreign country is always given to understand that the inclusion of an item in the list for negotiation implies no assurance that a concession will actually be made on it.

After the final determination as to what articles shall be listed as potential subjects for concessions by the United States, the Secretary of State gives formal notice of the intention of the United States to negotiate an agreement with the foreign country.

Public Notice

In advance of negotiating a trade agreement with any country, the public is given notice of the Government's intention to negotiate, is advised of the list of import articles on which the United States will consider granting concessions, and is invited to supply the Government with any information that may be useful to it in the conduct of the negotiation.

Formal notice of intention to negotiate is made by the Secretary of State; it is published in the Federal Register and in other Government publications;[48] and it is issued to the press in order to assure rapid and widespread publicity through newspapers and radio broadcasts. At the same time, the Committee for Reciprocity Information announces the form and manner in which briefs may be submitted by interested parties, the final date for filing them, and the date or dates on which public hearings will be held. At least 6 weeks' notice is ordinarily given for the filing of briefs; public hearings usually commence 1 week after the closing date for filing.

Before 1937, the formal announcement of a proposed trade agreement was accompanied merely by a list of the principal items of imports from the foreign country concerned. This list was provided to give an indication of the classes of articles from which "concession items" were likely to be selected, but concessions were sometimes granted on minor items not appearing on that list. Since 1937, the above list has been replaced by a so-called public list on which appear all the import items on which the grant of a concession will be considered. This practice serves to notify those industries whose products are not on the list that they will not be directly affected by the negotiations; it is primarily for the convenience of such industries. Foreign governments do not follow a corresponding practice. When the public list is issued, interested parties are clearly informed that the inclusion of an item in the list is no indication that a concession will actually be made with respect to it.

A supplemental public list may be issued only when it is attended by the same formalities as the original public list, including notice as to the submission of briefs and the holding of public hearings. While no item which does not appear on the original or supplemental public list may be considered for a trade-agreement concession, many of the items so listed may prove, on a basis of detailed study of information contained in briefs or developed at public hearings or in the process of negotiations, to be unsuitable for a concession or to be suitable for a concession on only some subgroup of the item.

The Department of Commerce and the United States Tariff Commission give extensive publicity to the public list and also to the announcements made by the Department of State and the Committee for Reciprocity Information concerning the contemplated negotiations. Publications and announcements by all these Government agencies are sent to trade associations, trade publications, concerns, and individuals who are likely to be interested.

As quickly as possible after the announcement of the intention to negotiate, the United States Tariff Commission makes available to the Trade Agreements Committee and the country committee concerned a digest of the available information on each of the articles appearing in the public list. Before 1947, these digests were for the confidential use of these committees, although the digests regarding articles on which concessions were actually granted were usually made available to the public after the agreement was concluded. However, shortly before the public hearing in Washington commenced on January 13, 1947, on the proposed trade agreement to be negotiated with the "nuclear" group of countries in Geneva, the Tariff Commission published and distributed the digests of information (excluding confidential information) on each item in the published list.

Public distribution of digests before the negotiation of agreements gives domestic interests a knowledge of the primary data on which concessions by the United States may be based. It also makes the same information available to the foreign negotiators and thus enables them better to adapt their requests to the facts of United States production and trade. Since foreign governments, on the other hand, have not followed the practice of publishing in advance of negotiations digests of information on their import items or even a list of import items on which concessions will be considered, American negotiators have a wider latitude in requesting concessions but less information as to the specific articles on which foreign governments will consider granting concessions.

Steps in Negotiations

After the public hearings, the Committee for Reciprocity Information distributes to its members the transcripts of the hearings, in both their original and abstracted forms. These members—most of whom also serve on the Trade Agreements Committee—make this material available to the country committee in question and to other interested subcommittees.

The country committee examines this material, together with digests prepared by the Tariff Commission and the data received from various Government agencies, particu-

[47] In view of the fact that any concession by the United States is extended to all countries (unless withheld by the President for reasons specified in the Trade Agreements Act), the reason for this policy is obvious. Since only the country with which the particular agreement is negotiated grants direct concessions in compensation for a concession by the United States, this policy conserves the bargaining power of this country, seeking to assure maximum compensation for the concessions granted.

[48] Executive Orders 9647, October 25, 1945, specified publication in the Federal Register, Department of State Bulletin, Treasury Decisions, Foreign Commerce Weekly, and issuance to the press.

larly the Departments of Agriculture and Commerce. On the basis of the information thus acquired, the country committee prepares two lists for the consideration of the Trade Agreements Committee. One list comprises the concessions (names of articles and nature and extent of the concession) which the country committee considers appropriate to request of the foreign country, and the other list, those which it considers appropriate to grant to the foreign country (on the assumption that the foreign country makes adequate concessions).

These two lists prepared by the country committee and the supporting data are analyzed by the Trade Agreements Committee and are critically reviewed at joint meetings held with the country committee. From this review, there emerge the list of requests and the list of offers which the Trade Agreements Committee recommends to the President. If the lists are approved by him the United States is ready to begin negotiations.

Primary responsibility for the conduct of negotiations on behalf of the United States rests with the Department of State, which usually has the assistance of a negotiating team on which other agencies also are represented. A representative of the Department of State serves as chairman of the negotiating team, when such a team is established, and he serves as principal negotiator. Other members of the team generally include additional representatives from the Department of State as well as representatives from the Tariff Commission, the Departments of Commerce and Agriculture, and sometimes one or more other Government agencies.

United States negotiators are bound by the instructions they receive from the Trade Agreements Committee, and there is close collaboration between the negotiators and that Committee throughout the progress of negotiations. For example, if a foreign country requests a greater reduction in a United States duty than has been offered, such a request must be referred to the Trade Agreements Committee.

Negotiations generally continue until agreement is reached on terms which are acceptable to both sides. However, negotiations sometimes break down because no such agreement appears in prospect. In these circumstances efforts to negotiate an agreement with the country in question are abandoned, at least temporarily.

The formal signing of a trade agreement on behalf of the United States is done by a representative of the Department of State, usually the Secretary.

Each agreement provides for the date on which it will go into effect. The general practice of the United States has been to make the concessions granted by this country effective 30 days or more after public proclamation of the agreement, which usually follows promptly after the signing of the agreement. The United States proclamation is accompanied by a complete text of the agreement which sets forth in detail all concessions granted and received. This proclamation is followed by a Department of State release which analyzes in detail the general provisions of the agreement and the concessions granted and received thereunder. Also, in the past, the Tariff Commission has generally published a report which gave detailed trade and tariff information about the articles on which concessions had been granted by the United States. Executive Order 9832 requires the Tariff Commission to publish digests of information on all import items considered for inclusion in a prospective negotiation.

The Geneva Negotiations

The negotiations conducted at Geneva, Switzerland, in 1947 differed from earlier negotiations principally in the scale of the operations involved. The United States delegation was composed of 85 officials,[49] about half of whom were members of official negotiating teams. Initially there were 11 such teams,[50] each of which negotiated with one or more countries. Each United States team was composed of representatives from the Departments of State and Commerce and from the United States Tariff Commission. The negotiators received assistance from technical experts and advisers detailed to Geneva by various agencies of the Government, including not only the three agencies just mentioned but also the Departments of Agriculture, Treasury, Labor, War, and Navy. Negotiating teams of the United States also had the benefit of the counsel and direction of the official United States delegation to the Conference, as well as of the Trade Agreements Committee which held sessions in Geneva.

At Geneva the United States negotiated simultaneously with 22 countries. The separate agreements entered into were combined into a composite or multilateral trade agreement, known as the General Agreement on Tariffs and Trade, the final act authenticating which was signed at Geneva on October 30, 1947.[51]

CHAPTER 6. RÉSUMÉ OF TRADE AGREEMENTS

Pre-Geneva agreements

From the time the Trade Agreements Act of 1934 went into effect until the conclusion of the General Agreement on Tariffs and Trade in Geneva, Switzerland, in 1947, the United States concluded trade agreements with 28 different foreign countries. Single agreements only were entered into with 26 of those countries; but three agreements—one original and two others—were entered into with Cuba and with Canada. The United States therefore negotiated 32 separate agreements with 28 different countries before the Geneva agreement. Table 1 gives the names of the countries with which those agreements were made, the date on which each agreement was signed, and the date on which each went into effect.

TABLE 1.—*Countries with which the United States negotiated agreements under authority of the Trade Agreements Act of 1934, as amended, prior to the General Agreement on Tariffs and Trade consummated in Geneva, Switzerland, on October 30, 1947, by date of agreement*

Country	Date signed	Date effective
Cuba [1] (preferential agreement)	Aug. 24, 1934	Sept. 3, 1934
Brazil [1]	Feb. 2, 1935	Jan. 1, 1936
Belgium (and Luxemburg) [1]	Feb. 27, 1935	May 1, 1935
Haiti	Mar. 28, 1935	June 3, 1935
Sweden	May 25, 1935	Aug. 5, 1935
Colombia	Sept. 13, 1935	May 20, 1936
Canada (superseded by a second agreement)	Nov. 15, 1935	Jan. 1, 1936
Honduras	Dec. 18, 1935	Mar. 2, 1936
The Netherlands [1]	Dec. 20, 1935	Feb. 1, 1936
Switzerland	Jan. 9, 1936	Feb. 15, 1936
Nicaragua [2]	Mar. 11, 1936	Oct. 1, 1936
Guatemala	Apr. 24, 1936	June 15, 1936

Footnotes at end of table.

[49] U. S. Department of State, Press Release 181, March 11, 1947. Some of these officials, however, were more concerned with work on the Charter for the International Trade Organization than with trade-agreement negotiations.

[50] These were designated to negotiate with teams representing the following countries: United Kingdom, Canada, Southern Dominions (Australia, New Zealand, and South Africa); India, France, Belgium, Luxembourg, and Holland; China and Lebanon; Czechoslovakia, Brazil and Chile; Cuba, and Norway.

[51] General Agreement on Tariffs and Trade, United Nations Publications Sales No. —; 1947. II.10—Vol 1, Lake Success, N. Y., 1947.

TABLE 1.—*Countries with which the United States negotiated agreements under authority of the Trade Agreements Act of 1934, as amended, prior to the General Agreement on Tariffs and Trade consummated in Geneva, Switzerland, on October 30, 1947, by date of agreement*—Continued

Country	Date signed	Date effective
France [1]	May 6, 1936	June 15, 1936
Finland	May 18, 1936	Nov. 2, 1936
Costa Rica	Nov. 28, 1936	Aug. 2, 1937
El Salvador	Feb. 19, 1937	May 31, 1937
Czechoslovakia [3]	Mar. 7, 1938	Apr. 16, 1938
Ecuador	Aug. 6, 1938	Oct. 23, 1938
United Kingdom [1]	Nov. 17, 1938	Jan. 1, 1939
Canada (second agreement) [1]	do	do
Turkey	Apr. 1, 1939	May 5, 1939
Venezuela	Nov. 6, 1939	Dec. 16, 1939
Cuba (first supplementary agreement) [1]	Dec. 18, 1939	Dec. 23, 1939
Canada (supplementary fox-fur agreement) [1 4]	Dec. 13, 1940	Dec. 20, 1940
Argentina	Oct. 14, 1941	Nov. 15, 1941
Cuba (second supplementary agreement) [1]	Dec. 23, 1941	Jan. 5, 1942
Peru	May 7, 1942	July 29, 1942
Uruguay	July 21, 1942	Jan. 1, 1943
Mexico	Dec. 23, 1942	Jan. 30, 1943
Iran	Apr. 8, 1943	June 28, 1944
Iceland	Aug. 27, 1943	Nov. 19, 1943
Paraguay	Sept. 12, 1946	Apr. 9, 1947

[1] Superseded by the General Agreement on Tariffs and Trade negotiated at Geneva in 1947.

[2] The duty concessions and certain other provisions of this agreement ceased to be in force as of Mar. 10, 1938.

[3] Operation of this agreement suspended as of Apr. 22, 1939.

[4] Replaced a previous supplementary agreement relating to fox furs, signed on Dec. 30, 1939.

Most pre-Geneva agreements provide that they shall remain in force for an initial period of 3 years, after which they shall be automatically extended for an indefinite period, but subject to termination by one or the other of the contracting parties on giving 6 months' notice. Unless denounced in such manner, or rendered conditionally inoperative, or superseded, the pre-Geneva agreements which are still in force may remain in effect indefinitely, irrespective of whether or not the Trade Agreements Act is further extended.

When the Geneva agreement was concluded in October 1947, all but three of the trade agreements previously negotiated by the United States (under authority of the Trade Agreements Act of 1934) were still in effect.[52] Immediately after negotiation of the Geneva agreement, the United States signed separate supplementary agreements with the Belgo-Luxemburg Economic Union, Canada, Cuba, France, the Netherlands, and the United Kingdom, under which the pre-Geneva trade agreements with those countries are to remain inoperative as long as those countries maintain the Geneva agreement in effect.

GENERAL AGREEMENT ON TARIFFS AND TRADE (GENEVA AGREEMENT), 1947

Conduct of negotiations

The United States invited 19 foreign countries to participate in the negotiation of a multilateral trade agreement at Geneva, Switzerland, commencing April 10, 1947. The Soviet Union did not accept the invitation, but the other 18 countries, which are identified in table 2, accepted. At the outset of the negotiations the 19 participating countries (including the United States) were

[52] The exceptions were (1) the original trade agreement with Canada, which was superseded by a second and more comprehensive agreement with that country in 1939; (2) the trade agreement with Nicaragua, in which the duty concessions were terminated in 1938; and (3) the trade agreement with Czechoslovakia, which was terminated in 1939.

represented by 16 "negotiating units," also listed in table 2. (Belgium, Luxemburg, and the Netherlands, comprising the Benelux Customs Union, negotiated as a unit; so did the Lebanon and Syria Customs Union.) Several changes and additions were made in the composition of membership during the course of the negotiations, with the result that 23 countries, represented by 19 negotiating units, participated in the final negotiations (table 2).

Tariff negotiations at Geneva were conducted bilaterally on a product-by-product basis. As a general rule, each country negotiated for concessions on each of its important import commodities with its principal supplier of imports of that commodity.

If each of the participating teams had successfully negotiated with the others represented at Geneva, almost 200 separate bilateral agreements would have resulted. The actual number, however, was much smaller, inasmuch as several countries, particularly the smaller ones, did not find it practicable to negotiate when their trade with one another was not important.

TABLE 2.—*Countries which participated in trade-agreement negotiations at Geneva in 1947* [1]

19 countries (18 plus United States) which accepted invitation to participate [2]	16 initial negotiating units, or customs areas (15 plus United States)	19 final negotiating units, or customs areas (18 plus United States)	23 individual countries participating (22 plus United States)
Australia	Australia	Australia	Australia.
Belgium	Benelux Customs Union [3]	Benelux Customs Union [3]	Belgium.[3]
Brazil	Brazil	Brazil	Brazil.
		Burma [4]	Burma.[4]
Canada	Canada	Canada	Canada.
		Ceylon [4]	Ceylon.[4]
Chile	Chile	Chile	Chile.
China	China	China	China.
Cuba	Cuba	Cuba	Cuba.
Czechoslovakia	Czechoslovakia	Czechoslovakia	Czechoslovakia.
France	France	France	France.
India	India	India and Pakistan [5]	India.[5]
Lebanon (for Lebanon and Syria).	Lebanon and Syria Customs Union.	Lebanon and Syria Customs Union.	Lebanon.
Luxemburg			Luxemburg.[3]
Netherlands			Netherlands.[3]
New Zealand	New Zealand	New Zealand	New Zealand.
Norway	Norway	Norway	Norway.
			Pakistan.[5]
			Syria.
		Southern Rhodesia [4]	Southern Rhodesia.[4]
Union of South Africa	Union of South Africa	Union of South Africa	Union of South Africa.
United Kingdom	United Kingdom	United Kingdom	United Kingdom.
United States	United States	United States	United States.

[1] The Union of Soviet Socialist Republics was invited but did not accept.
[2] Including the areas for which these countries had authority to negotiate.
[3] The Belgium-Netherlands-Luxemburg Customs Union. The 3 countries signed the Geneva agreement separately.
[4] Initial negotiations were by the United Kingdom; but Burma, Ceylon, and Southern Rhodesia each signed the Geneva agreement.
[5] Initial negotiations were by India before partition, but the Geneva agreement was signed separately by the Dominion of India and the Dominion of Pakistan.

The various bilateral agreements were combined to form the single General Agreement on Tariffs and Trade; and the Final Act authenticating the text of that agreement was signed at Geneva on October 30, 1947. Each participating country, whether it negotiated separately or not, signed the Final Act (see table 2). Each signatory on making the agreement effective is contractually entitled to enjoy in its own right the concessions made effective by each of the other signatories.[53]

The full text of the Geneva agreement was published in four volumes by the Secretary General of the United Nations.[54] Volume I contains the general provisions, and the other three volumes, the schedules of concessions pledged by each of the participating countries. The concessions granted by each country comprise a separate schedule, e. g., schedule XX contains the concessions granted by the United States.

ENTRY INTO FORCE

The Geneva agreement does not enter into full force until 30 days after instruments of acceptance have been deposited with the Secretary General of the United Nations by signatory governments that account for 85 percent of the total external trade of the territories of governments which signed the Final Act of the Geneva Conference.[55] Appended to the Geneva agreement, however, is a protocol which provides for provisional application of the Geneva agreement. This protocol was signed on the same day as the Geneva agreement by eight "key countries"—Australia, Belgium, Canada, France, Luxemburg, the Netherlands, the United Kingdom, and the United States. They undertook to apply provisionally, commencing January 1, 1948, parts I and III of the General Agreement and also part II of that agreement "to the fullest extent not inconsistent with existing legislation." The protocol is to remain open until June 30, 1948, for signature of other countries which participated in the General Agreement and which desire to give provisional application to the aforementioned parts of the agreement. Any country whch applies the agreement provisionally under this protocol is free to suspend the application thereof after giving 60 days' notice to the Secretary General of the United Nations.

On December 16, 1947, the President of the United States proclaimed that the Geneva agreement would be placed in effect provisionally as of January 1, 1948. The proclamation provided, however, that concessions by the United States of primary interest to countries which signed the Geneva agreement, but which had not at the time of the proclamation undertaken to put their schedules of tariff concessions into effect on January 1, 1948, would be withheld. As each of such countries later should signify its intention to put its tariff concessions into effect, the concessions temporarily withheld by the United States would be placed in effect by a further Presidential proclamation.

At the time the President made his proclamation, only the eight countries named above had signified their intention of giving provisional effect to the agreement on January 1, 1948. Shortly thereafter Cuba announced its intention to do likewise. This announcement was followed by a Presidential proclamation extending to Cuba as of January 1, 1948, the concessions which would have been withheld from it under the proclamation of December 16, 1947. The nine countries which put the Geneva agreement into effect provisionally on January 1, 1948, account for about 80 percent of total world trade. Concessions still withheld by the United States on April 1, 1948, are those which are of primary interest to Brazil, Burma, Ceylon, Chile, China, Czechoslovakia, India, Lebanon, New Zealand, Norway, Pakistan, Syria, Southern Rhodesia, and the Union of South Africa.

[53] Provision is made in the agreement, however, for the withdrawal of any particular concession in the event that the principal beneficiary fails to apply, or withdraws from, the agreement (see discussion of art. XXVII of the Geneva agreement).

[54] General Agreement on Tariffs and Trade, United Nations Publications Sales No. —: 1947. II.10—Vols. 1–4, Lake Success, N. Y., 1947.

[55] The percentage agreed upon for each of the signatory governments is contained in annex H of the Geneva agreement. Inasmuch as this determination grants to the United States 25.2 percent of the total external trade of the territories of the signatory governments, one practical effect of this provision is to preclude its entering into full force and effect until the United States has deposited an instrument of acceptance with the Secretary General of the United Nations.

TRADE AGREEMENTS ACT OF 1934 AND ALL EXTENSION ACTS

[Public—No. 316—73d Cong.]

[H. R. 8687]

An act to amend the Tariff Act of 1930

Be it enacted, etc., That the Tariff Act of 1930 is amended by adding at the end of title III the following:

"PART III—PROMOTION OF FOREIGN TRADE

"SEC. 350. (a) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified, is authorized from time to time—

"(1) To enter into foreign trade agreements with foreign governments or instrumentalities thereof; and

"(2) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder. No proclamation shall be made increasing or decreasing by more than 50 per centum any existing rate of duty or transferring any article between the dutiable and free lists. The proclaimed duties and other import restrictions shall apply to articles the growth, produce, or manufacture of all

foreign countries, whether imported directly, or indirectly: *Provided*, That the President may suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts or policies which in his opinion tend to defeat the purposes set forth in this section; and the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the proclamation. The President may at any time terminate any such proclamation in whole or in part.

"(b) Nothing in this section shall be construed to prevent the application, with respect to rates of duty established under this section pursuant to agreements with countries other than Cuba, of the provisions of the treaty of commercial reciprocity concluded between the United States and the Republic of Cuba on December 11, 1902, or to preclude giving effect to an exclusive agreement with Cuba concluded under this section, modifying the existing preferential customs treatment of any article the growth, produce, or manufacture of Cuba: *Provided*, That the duties payable on such an article shall in no case be increased or decreased by more than 50 per centum of the duties now payable thereon.

"(c) As used in this section, the term 'duties and other import restrictions' includes (1) rate and form of import duties and classification of articles, and (2) limitations, prohibitions, charges, and exactions other than duties, imposed on importation or imposed for the regulation of imports."

SEC. 2. (a) Subparagraph (d) of paragraph 369, the last sentence of paragraph 1402, and the provisos to paragraphs 371, 401, 1650, 1687, and 1803 (1) of the Tariff Act of 1930 are repealed. The provisions of sections 336 and 516 (b) of the Tariff Act of 1930 shall not apply to any article with respect to the importation of which into the United States a foreign trade agreement has been concluded pursuant to this Act, or to any provision of any such agreement. The third paragraph of section 311 of the Tariff Act of 1930 shall apply to any agreement concluded pursuant to this Act to the extent only that such agreement assures to the United States a rate of duty on wheat flour produced in the United States which is preferential in respect to the lowest rate of duty imposed by the country with which such agreement has been concluded on like flour produced in any other country; and upon the withdrawal of wheat flour from bonded manufacturing warehouses for exportation to the country with which such agreement has been concluded, there shall be levied, collected, and paid on the imported wheat used, a duty equal to the amount of such assured preference.

(b) Every foreign trade agreement concluded pursuant to this Act shall be subject to termination, upon due notice to the foreign government concerned, at the end of not more than three years from the date on which the agreement comes into force, and, if not then terminated, shall be subject to termination thereafter upon not more than six months' notice.

(c) The authority of the President to enter into foreign trade agreements under section 1 of this Act shall terminate on the expiration of three years from the date of the enactment of this Act.

SEC. 3. Nothing in this Act shall be construed to give any authority to cancel or reduce, in any manner, any of the indebtedness of any foreign country to the United States.

SEC. 4. Before any foreign trade agreement is concluded with any foreign government or instrumentality thereof under the provisions of this Act, reasonable public notice of the intention to negotiate an agreement with such government or instrumentality shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate, under such rules and regulations as the President may prescribe; and before concluding such agreement the President shall seek information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce and from such other sources as he may deem appropriate.

Approved, June 12, 1934, 9.15 p. m.

[Public Res.—No. 10—75th Cong.]
[Ch. 22—1st sess.]
[H. J. Res. 96]

Joint resolution to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended

Resolved, etc., That the period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended by the Act (Public, Numbered 316, Seventy-third Congress) approved June 12, 1934, is hereby extended for a further period of three years from June 12, 1937.

Approved, March 1, 1937.

[Public Res.—No. 61—76th Cong.]
[Ch. 96—3d sess.]
[H. J. Res. 407]

Joint resolution to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended

Resolved, etc., That the period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended by the Act (Public, Numbered 316, Seventy-third Congress) approved June 12, 1934, is hereby extended for a further perior of three years from June 12, 1940.

Approved, April 12, 1940.

[Public Law 66—78th Cong.]
[Ch. 118—1st sess.]
[H. J. Res. 111]

Joint resolution to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended

Resolved, etc., That the period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended by the Act (Public, Numbered 316, Seventy-third Congress) approved June 12, 1934, is hereby extended for a further period of two years from June 12, 1943.

SEC. 2. Section 350 (a) (2) of the Tariff Act of 1930 (U. S. C., 1940 edition, title 19, sec. 1351 (a) (2)) is amended by inserting after "because of its discriminatory treatment of American commerce or because of other acts" the following: "(including the operations of international cartels)".

Approved June 7, 1943.

[Public Law 130—79th Cong.]
[Ch. 269—1st sess.]
[H. R. 3240]

An act to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes

Be it enacted, etc., That the period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended and extended, is hereby extended for a further period of three years from June 12, 1945.

SEC. 2. (a) The second sentence of subsection (a) (2) of such section, as amended (U. S. C., 1940 edition, Supp. IV, title 19, sec. 1351 (a) (2)), is amended to read as follows: "No proclamation shall be made increasing or decreasing by more than 50 per centum any rate of duty, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress), or transferring any article between the dutiable and free lists."

(b) The proviso of subsection (b) of such section (U. S. C., 1940 edition, sec. 1351 (b)) is amended to read as follows: "*Provided*, That the duties on such an article shall in no case be increased or decreased by more than 50 per centum of the duties, however established, existing on January 1, 1945 (even though temporarily suspended by Act of Congress)".

SEC. 3. Such section 350 is further amended by adding at the end thereof a new subsection to read as follows:

"(d) (1) When any rate of duty has been increased or decreased for the duration of war or an emergency, by agreement or otherwise, any further increase or decrease shall be computed upon the basis of the post-war or post-emergency rate carried in such agreement or otherwise.

"(2) Where under a foreign trade agreement the United States has reserved the unqualified right to withdraw or modify, after the termination of war or an emergency, a rate on a specific commodity, the rate on such commodity to be considered as 'existing on January 1, 1945' for the purpose of this section shall be the rate which would have existed if the agreement had not been entered into.

"(3) No proclamation shall be made pursuant to this section for the purpose of carrying out any foreign trade agreement the proclamation with respect to which has been terminated in whole by the President prior to the date this subsection is enacted."

SEC. 4. Section 4 of the Act entitled "An Act to amend the Tariff Act of 1930", approved June 12, 1934 (U. S. C., 1940 edition, title 19, sec. 1354), relating to the governmental agencies from which the President shall seek information and advice with respect to foreign trade agreements, is amended by inserting after "Departments of State," the following: "War, Navy,".

Approved July 5, 1945.

[Public Law 792—80th Cong.]
[Ch. 678—2d Sess.]
[H. R. 6556]

An act to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes

Be it enacted, etc., That this Act may be cited as the "Trade Agreements Extension Act of 1948".

SEC. 2. The period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended (U. S. C., 1946 edition, title 19, sec. 1351), is hereby extended from June 12, 1948, until the close of June 30, 1949.

SEC. 3. (a) Before entering into negotiations concerning any proposed foreign trade agreement under section 350 of the Tariff Act of 1930, as amended, the President shall furnish the United States Tariff Commission (hereinafter in this Act referred to as the Commission") with a list of all articles imported into the United States to be considered for possible modification of duties and other import restrictions, imposition of additional import restrictions, or continuance of existing customs or excise treatment. Upon receipt of such list the Commission shall make an investigation and report to

the President the findings of the Commission with respect to each such article as to (1) the limit to which such modification, imposition, or continuance may be extended in order to carry out the purpose of such section 350 without causing or threatening serious injury to the domestic industry producing like or similar articles; and (2) if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or similar articles the minimum increases in duties or additional import restrictions required. Such report shall be made by the Commission to the President not later than 120 days after the receipt of such list by the Commission. No such foreign trade agreement shall be entered into until the Commission has made its report to the President or until the expiration of the 120-day period.

(b) In the course of any investigation pursuant to this section the Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings.

(c) Section 4 of the Act entitled "An Act to amend the Tariff Act of 1930", approved June 12, 1934, as amended (U. S. C., 1946 edition, title 19, sec. 1354), is hereby amended by striking out the matter following the semicolon and inserting in lieu thereof the following: "and before concluding such agreement the President shall request the Tariff Commission to make the investigation and report provided for by section 3 of the Trade Agreements Extension Act of 1948, and shall seek information and advice with respect to such agreement from the Departments of State, Agriculture, and Commerce, from the National Military Establishment, and from such other sources as he may deem appropriate."

SEC. 4. The Commission shall furnish facts, statistics, and other information at its command to officers and employees of the United States preparing for or participating in the negotiation of any foreign trade agreement; but neither the Commission nor any member, officer, or employee of the Commission shall participate in any manner (except to report findings, as provided in section 3 of this Act and to furnish facts, statistics, and other information as required by this section) in the making of decisions with respect to the proposed terms of any foreign trade agreement or in the negotiation of any such agreement.

SEC. 5. (a) Within thirty days after any trade agreement under section 350 of the Tariff Act of 1930, as amended, has been entered into which, when effective, will (1) require or make appropriate any modification of duties or other import restrictions, the imposition of additional import restrictions, or the continuance of existing customs or excise treatment, which modification, imposition, or continuance will exceed the limit to which such modification, imposition, or continuance may be extended without causing or threatening serious injury to the domestic industry producing like or similar articles as found and reported by the Tariff Commission under section 3, or (2) fail to require or make appropriate the minimum increase in duty or additional import restrictions required to avoid such injury, the President shall transmit to Congress a copy of such agreement together with a message accurately identifying the article with respect to which such limits or minimum requirements are not complied with, and stating his reasons for the action taken with respect to such article. If either the Senate or the House of Representatives, or both, are not in session at the time of such transmission, such agreement and message shall be filed with the Secretary of the Senate or the Clerk of the House of Representatives, or both, as the case may be.

(b) Promptly after the President has transmitted such foreign trade agreement to Congress the Commission shall deposit with the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a copy of its report to the President with respect to such agreement.

Approved June 26, 1948.

TARIFF RATE CHART

Average ad valorem rates of duty on imports into the United States, by years, under specified tariff acts

(There are 2 fundamental difficulties in measuring average rates of duty under different tariff acts by the use of statistics of imports: (*a*) The change in the character and quantity of the articles imported from year to year, and still more from decade to decade; (*b*) the change in the general price level and even in the prices of single major commodities. Unless due regard is given to these changes, comparisons between different years are likely to be misleading)

[Value in thousands, i. e., 000 omitted]

Fiscal years 1910–18; calendar years 1919 and succeeding years	Imports for consumption					Duties collected	Equivalent ad valorem rates	
	Free	Percent free	Dutiable	Percent dutiable	Total		Dutiable	Free and dutiable
Payne-Aldrich law:								
Effective Aug. 6, 1909:							*Percent*	*Percent*
1910	$761,353	49.2	$785,756	50.8	$1,547,109	$326,562	41.6	21.1
1911	776,964	50.8	750,981	49.2	1,527,945	309,966	41.3	20.3
1912	881,513	53.7	759,210	46.3	1,640,723	304,899	40.2	18.6
1913	986,972	55.9	779,717	44.1	1,766,689	312,510	40.1	17.7
Annual average, Payne-Aldrich law	851,701	52.6	768,916	47.4	1,620,617	313,484	40.8	19.3
Underwood law:								
Effective Oct. 4, 1913:								
1914	1,152,393	60.4	754,008	39.6	1,906,400	283,719	37.6	14.9
1915	1,032,863	62.7	615,523	37.3	1,648,386	205,747	33.4	12.5
1916	1,495,881	68.6	683,153	31.4	2,179,035	209,726	30.7	9.6
1917	1,852,531	69.5	814,689	30.5	2,667,220	221,659	27.2	8.3
1918	2,117,555	73.9	747,339	26.1	2,864,894	180,590	24.2	6.3
1918 (July to December)	1,149,882	79.1	303,079	20.9	1,452,961	73,854	24.4	5.1
1919	2,711,462	70.8	1,116,221	29.2	3,827,683	237,457	21.3	6.2
1920	3,115,958	61.1	1,985,865	38.9	5,101,823	325,646	16.4	6.4
1921 [1]	1,564,278	61.2	992,591	38.8	2,556,869	292,397	29.4	11.4
1922 [1]	1,888,240	61.4	1,185,533	38.6	3,073,773	451,356	38.1	14.7
Annual average, Underwood law	1,903,268	66.3	968,211	33.7	2,871,479	261,279	27.0	9.1
Fordney-McCumber law:								
Effective Sept. 22, 1922:								
1923	2,165,148	58.0	1,566,621	42.0	3,731,769	566,664	36.2	15.2
1924	2,118,168	59.2	1,456,943	40.8	3,575,111	532,286	36.5	14.9
1925	2,708,828	64.9	1,467,390	35.1	4,176,218	551,814	37.6	13.2
1926	2,908,107	66.0	1,499,969	34.0	4,408,076	590,045	39.3	13.4
1927	2,680,059	64.4	1,483,031	35.6	4,163,090	574,839	38.8	13.8
1928	2,678,633	65.7	1,399,304	34.3	4,077,937	542,270	38.8	13.3
1929	2,880,128	66.4	1,458,444	33.6	4,338,572	584,837	40.1	13.5
1930 (Jan. 1 to June 17)	1,102,107	64.6	603,891	35.4	1,705,998	269,357	44.6	15.8
Annual average, Fordney-McCumber law	2,565,490	63.8	1,458,080	36.2	4,023,570	561,615	38.5	14.0
Hawley-Smoot law:								
Effective June 18, 1930								
1930 (June 18 to Dec. 31)	979,016	69.5	429,063	30.5	1,408,079	192,528	44.9	13.7
1931	1,391,693	66.6	696,762	33.4	2,088,455	370,771	53.2	17.8
1932 [2]	885,536	66.8	439,557	33.2	1,325,093	259,600	59.1	19.6
1933	903,547	63.1	529,466	36.9	1,433,013	283,681	53.6	19.8
1934 [3]	991,161	60.6	644,842	39.4	1,636,003	301,168	46.7	18.4
1935	1,205,987	59.1	832,918	40.9	2,038,905	357,241	42.9	17.5
1936	1,384,937	57.1	1,039,040	42.9	2,423,977	408,127	39.3	16.8
1937	1,765,248	58.6	1,244,604	41.4	3,009,852	470,509	37.8	15.6
1938	1,182,696	60.7	766,928	39.3	1,949,624	301,375	39.3	15.5
1939	1,397,280	61.4	878,819	38.6	2,276,099	328,034	37.3	14.4
1940	1,648,965	64.9	891,691	35.1	2,540,653	317,711	35.6	12.5
1941	2,030,919	63.0	1,191,035	37.0	3,221,954	437,751	36.8	13.6
1942	1,767,592	63.8	1,001,693	36.2	2,769,285	320,117	32.1	11.6
1943	2,192,702	64.7	1,197,249	35.3	3,389,951	392,294	32.8	11.6
1944	2,708,391	69.8	1,169,504	30.2	3,877,895	347,286	29.7	9.0
1945	2,737,261	67.0	1,348,756	33.0	4,086,017	380,827	28.2	9.3
1946 [4]	2,897,669	60.6	1,894,441	39.5	4,792,110	498,001	26.3	10.4
1947 [4]	3,431,671	60.8	2,211,674	39.2	5,643,345	445,355	20.1	7.9
1948 [4]	4,174,050	58.9	2,917,693	41.1	7,091,744	417,401	14.3	5.9
1949 [4] January to June	2,045,105	61.1	1,303,878	38.9	3,348,782	177,947	13.6	5.3

[1] The Emergency Tariff Act became effective on certain agricultural products on May 28, 1921, and continued in effect until Sept. 22, 1922.

[2] Subsequent to June 21, 1932, certain commodities which had previously been on the free list were made taxable, and since that date have been reported as dutiable commodities. The principal commodities affected were petroleum, copper, lumber, and coal.

[3] Trade Agreements Act passed as amendment to Hawley-Smoot law June 12, 1934. Under it many rates of duty have been decreased from time to time. First agreement effective Sept. 12, 1934, with Cuba.

[4] Preliminary.

Source: U. S. Tariff Commission, Statistical Division.

APPENDIX D

EXECUTIVE ORDER 9832 (FEBRUARY 25, 1947), PRESCRIBING PROCEDURES FOR THE ADMINISTRATION OF THE RECIPROCAL TRADE AGREEMENTS PROGRAM

[12 F. R. 1363–1365]

By virtue of the authority vested in me by the Constitution and statutes, including section 332 of the Tariff Act of 1930 (46 Stat. 698) and the Trade Agreements Act approved June 12, 1934, as amended (48 Stat. 943; 59 Stat. 410), in the interest of the foreign affairs functions of the United States and in order that the interests of the various branches of American production shall be effectively safeguarded in the administration of the trade-agreements program, it is hereby ordered as follows:

PART I

1. There shall be included in every trade agreement hereafter entered into under the authority of said act of June 12, 1934, as amended, a clause providing in effect that if, as a result of unforeseen developments and of the concession granted by the United States on any article in the trade agreement, such article is being imported in such increased quantities and under such conditions as to cause, or threaten, serious injury to domestic producers of like or similar articles, the United States shall be free to withdraw the concession, in whole or in part, or to modify it, to the extent and for such time as may be necessary to prevent such injury.

2. The United States Tariff Commission, upon the request of the President, upon its own motion, or upon application of any interested party when in the judgment of the Tariff Commission there is good and sufficient reason therefor, shall make an investigation to determine whether, as a result of unforeseen developments and of the concession granted on any article by the United States in a trade agreement containing such a clause, such article is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or similar articles. Should the Tariff Commission find, as a result of its investigation, that such injury is being caused or threatened, the Tariff Commission shall recommend to the President, for his consideration in the light of the public interest, the withdrawal of the concession, in whole or in part, or the modification of the concession, to the extent and for such time as the Tariff Commission finds would be necessary to prevent such injury.

3. In the course of any investigation under the preceding paragraph, the Tariff Commission shall hold public hearings, giving reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings. The procedure and rules and regulations for such investigations and hearings shall from time to time be prescribed by the Tariff Commission.

4. The Tariff Commission shall at all times keep informed concerning the operation and effect of provisions relating to duties or other import restrictions of the United States contained in trade agreements heretofore or hereafter entered into by the President under the authority of said act of June 12, 1934, as amended. The Tariff Commission, at least once a year, shall submit to the President and to the Congress a factual report on the operation of the trade-agreements program.

PART II

5. An Interdepartmental Committee on Trade Agreements (hereinafter referred to as the Interdepartmental Committee) shall act as the agency through which the President shall, in accordance with section 4 of said act of June 12, 1934, as amended, seek information and advice before concluding a trade agreement. In order that the interests of American industry, labor, and farmers, and American military, financial, and foreign policy, shall be appropriately represented, the Interdepartmental Committee shall consist of a Commissioner of the Tariff Commission and of persons designated from their respective agencies by the Secretary of State, the Secretary of the Treasury, the Secretary of War, the Secretary of the Navy, the Secretary of Agriculture, the Secretary of Commerce, and the Secretary of Labor. The chairman of the Interdepartmental Committee shall be the representative from the Department of State. The Interdepartmental Committee may designate such subcommittees as it may deem necessary.

6. With respect to each dutiable import item which is considered by the Interdepartmental Committee for inclusion in a trade agreement, the Tariff Commission shall make an analysis of the facts relative to the production, trade, and consumption of the article involved, to the probable effect of granting a concession thereon, and to the competitive factors involved. Such analysis shall be submitted in digest form to the Interdepartmental Committee. The digests, excepting confidential material, shall be published by the Tariff Commission.

7. With respect to each export item which is considered by the Interdepartmental Committee for inclusion in a trade agreement, the Department of Commerce shall make an analysis of the facts relative to the production, trade, and consumption of the article involved, to the probable effect of obtaining a concession thereon, and to the competitive factors involved. Such analysis shall be submitted in digest form to the Interdepartmental Committee.

8. After analysis and consideration of the studies of the Tariff Commission and the Department of Commerce provided for in paragraphs 6 and 7 hereof, of the views of interested persons presented to the Committee for Reciprocity Information (established by Executive Order 6750, dated June 27, 1934, as amended by Executive Order 9647, dated October 25, 1945), and of any other information available to the Interdepartmental Committee, the Interdepartmental Committee shall make such recommendations to the President relative to the conclusion of trade agreements, and to the provisions to be included therein, as are considered appropriate to carry out the purposes set forth in said act of June 12, 1934, as amended. If any such recommendation to the President with respect to the inclusion of a concession in any trade agreement is not unanimous, the President shall be provided with a full report by the dissenting member or members of the Interdepartmental Committee giving the reasons for their dissent and specifying the point beyond which they consider any reduction or concession involved cannot be made without injury to the domestic economy.

PART III

9. There shall also be included in every trade agreement hereafter entered into under the authority of said act of June 12, 1934, as amended, a most-favored-nation provision securing for the exports of the United States the benefits of all tariff concessions and other tariff advantages hereafter accorded by the other party or parties to the agreement to any third country. This provision shall be subject to the minimum of necessary exceptions and shall be designed to obtain the greatest possible benefits for exports from the United States. The Interdepartmental Committee shall keep informed of discriminations by any country against the trade of the United States which cannot be removed by normal diplomatic representations and, if the public interest will be served thereby, shall recommend to the President the withholding from such country of the benefit of concessions granted under said act.

HARRY S. TRUMAN.

THE WHITE HOUSE, *February 25, 1947.*

STATE DEPARTMENT TABLE SHOWING SUMMARY OF IMPORT LICENSE AND EXCHANGE CONTROL RE GULATIONS IN PRINCIPAL FOREIGN COUNTRIES (1949 SENATE FINANCE COMMITTEE HEARINGS, PP. 28–30)

Summary of import license and exchange control regulations in principal foreign countries

[Revised as of February 1949]

Country	Is import permit necessary?	Is exchange permit required?
Argentina	No; except for a selected list of commodities.[1] Certain products are subject to import quota.	Yes; for all imports; granted only for "listed" products. Application should be filed prior to confirmation of purchase order.
Australia	Yes	Yes.
Austria	Yes	Yes; import permit does not automatically carry the right to foreign exchange.
Belgium-Luxemburg	Yes; for all imports from dollar areas	Yes.
Belgian Congo	Yes	Yes.
Bolivia	Yes; for all imports; reported not being granted for luxury goods until exchange situation improves.	No; the import permit authorizes purchase of exchange, but is not a guaranty that exchange will be granted.
Brazil	Yes; for all imports except pharmaceuticals, cement, certain foods and certain books, magazines, and newspapers.	Yes.[2]
Bermuda British East Africa British West Africa British West Indies British Guiana British Honduras British Colonies, Other	Yes	Yes; import permit generally assures release of foreign exchange.

[1] American exporters may obtain information regarding the import controls on their products by writing the Areas Division or one of the field offices of the Department of Commerce.

[2] All exchange transactions amounting to more than 20,000 cruzieros require an exchange permit from the Banco do Brazil.

Summary of import license and exchange control regulations in principal foreign countries—Continued

[Revised as of February 1949]

Country	Is import permit necessary?	Is exchange permit required?
Bulgaria	Yes	Yes.
Burma	Yes	Yes.
Canada	Yes; for many products [1]	Yes.
Ceylon	Yes	Yes.
Chile	Yes; must be obtained prior to shipment of goods, and a copy must be sent to the exporter.	Yes; in the form of a notation on the import permit.
China	Yes; certain goods are also subject to quota allocation [3]	Yes; exchange is made available through approved banks for licensed imports.[3]
Colombia	Yes; for practically all shipments must be obtained prior to purchase of goods.	No; but import permit necessary to obtain foreign exchange.
Costa Rica	No	Yes; foreign exchange is rationed.
Cuba	No	No.
Czechoslovakia	Yes	Yes; import permit carries the right to foreign exchange.
Denmark	Yes; on almost all commodities	Yes.
Dominican Republic	No	No.
Ecuador	Yes; must be presented in order to obtain the consular invoice	Import permit carried the right to foreign exchange. (Central Bank of Ecuador.)
Egypt	Yes; unlicensed imports are subject to confiscation	Yes.
Eire	For a few products only [1]	Yes.
El Salvador	No	No.
Finland	Yes	Yes; import permit carries the right to foreign exchange.
France	Yes; obtainable for "essentials" only	Yes; issued simultaneously with the import permit.
French Colonies	Yes	Yes; import permit carries the right to foreign exchange.
French Indochina	Yes	Yes.
Germany	Yes	Yes; import permit carries commitment to make available foreign exchange.
Greece	Yes; permits granted only for limited number of essential products.	Yes; import permit carries the right to open a letter of credit.
Guatemala	No	No.
Haiti	No	No.
Honduras	No	Yes.
Hong Kong	Yes	Yes; but there s no delay.
Hungary	Yes	Yes.
Iceland	Yes	Yes; unless otherwise stated on the permit, the import permit carries the right to foreign exchange.
India	Yes	Yes; import permit ordinarily carries the righ. to foreign exchange.
Iran	No	Yes.
Iraq	Yes; goods exported before a license is obtained are confiscated	Yes; permits are obtained through licensed dealers.
Italy	Yes; from the Italian Exchange Office, except "list A" (mostly industrial raw materials which require only a Bank of Italy "benestare").	Yes; through the Bank of Italy or its agents.[4]
Japan	Yes	Import permit carries right to foreign exchange.
Korea	Yes	No; trade is conducted on a compensatory (barter) basis.
Liberia	For arms and ammunitions only	No.
Luxemburg	(See Belgium-Luxemburg.)	
Malayan Federation	Yes	Yes.
Mexico	There is a long list of products which are prohibited from importation, and another list of commodities requiring an import permit.[1]	No.
Morocco (French)	Yes	Yes.
Netherlands East Indies	Yes	Yes.
Netherlands West Indies	Yes	Yes.
Netherlands	Yes	Yes ("payment attest").
Newfoundland	No; except for food products	Yes.
New Zealand	Yes	Yes; import permit carries the right to foreign exchange.
Nicaragua	Yes	No.
Northern Rhodesia	Yes	Yes; import permit carries the right to foreign exchange.
Norway	Yes	Yes; import permit carries the right to foreign exchange.
Pakistan	Yes	Yes; import permit ordinarily carries the right to foreign exchange.
Palestine	Yes	Yes.
Panama	No	No.
Paraguay	No	Yes.[5]
Peru	Yes	Yes.
Philippine Republic	Yes; for certain specific nonessential articles, for which import license number must appear on consular invoice.	No.[6]
Poland	Yes	Yes.
Portugal	Yes	Yes.
Portuguese Colonies	Yes	Yes.
Rumania	Yes	Yes.
Saudi Arabia	No	No.
Siam	No; import licenses have been discontinued	Yes; the government controls on the major part of foreign exchange are still in effect.
Singapore	Yes	Yes.
Spain	Yes; largely limited to essential raw materials	Yes; exchange must be obtained through Foreign Exchange Institute which usually, but not mandatorily, grants it in accordance with the terms of the license. Special exchange rates fixed for many products.
Southern Rhodesia	Yes	Yes.
Spanish Colonies	Yes	Yes; the import permit carries an allotment of foreign exchange.
Spanish Zone of Morocco	Yes	Yes; import permit carries the right to foreign exchange.
Surinam	No	Yes.
Sweden	Yes; rigid controls. Special "free list" exempt from import license.[1]	Yes; rigid exchange control in operation.
Switzerland	Yes; for a few commodities, mainly those under international allocation.	No difficulty in regard to exchange.
Syria and Lebanon	Yes	Yes.
Tangier	No	No.
Turkey	Yes	Yes; special exchange license from the Control Office.
Union of South Africa (including South West Africa, Basutoland, Bechuanaland and Swaziland).	Yes; only for products on prohibited list or under international allocation.	Each importer is subject to quarterly nonsterling exchange quota.
United Kingdom	Yes; except for a few products [1]	Yes.
Uruguay	Yes; must be obtained	No; import permit carries the right to foreign exchange.
U. S. S. R.	Yes; importing government agencies responsible for securing own permit.	Yes; all exchange allocated by U. S. S. R. State Bank upon receipt of import permit.
Venezuela	No; except for 24 tariff items [1]	Import permit when required authorizes foreign exchange.
Yugoslavia	Yes	Yes.

[1] American exporters may obtain information regarding the import controls on their products by writing the Areas Division or one of the field offices of the Department of Commerce.

[3] Details of China's import and exchange controls may be obtained from the Far East Branch of the Office of International Trade.

[4] The importer buys his dollar exchange on the basis of the daily free market rate.

[5] Importers must conclude a contract for purchase of exchange with the Bank of Paraguay before purchasing abroad.

[6] A foreign Funds Control Office is established in Manila, but blanket licenses are issued to banks for exchange transactions by bona fide firms.

Source: Prepared in the Areas Division, Office of International Trade, Department of Commerce.

STATE DEPARTMENT STATEMENT ON THE SCOPE OF STATE TRADING—1949 SENATE FINANCE COMMITTEE HEARINGS, PAGES 1335–1343

Mr. MILLIKIN. I ask unanimous consent to include at this point in my remarks the following statement on the scope of state trading which is in the hearings on H. R. 1211, before the Senate Finance Committee, pages 1335–1343:

INTERNATIONAL STATE TRADING

SUMMARY OF EXTRACTS FROM FOREIGN SERVICE REPORTS OF THE STATE DEPARTMENT

Turkey

Under the terms of the principle of étatism, the Turkish state has become the largest industrialist in the country, for the simple reason that no individuals or corporations have had sufficient borrowing power or capital to initiate the large-scale industrial projects which have been undertaken. The State operates the railways, posts and telegraphs, coastwise shipping, tram lines, and the gas, electric, and telephone services in the chief cities. State monopolies control the manufacture and sale of practically all alcohol and alcoholic beverages; tobacco products; salt; matches; and explosives. State-controlled or state-operated enterprises are engaged in mining, sugar refining, the manufacture of textiles and leather goods, the operation of cotton, woolen, and paper mills, and the production of iron and steel. Acting under the principle, often publicly stated, that the Government must for the benefit of the people and of the nation undertake those operations which private capital is either unable or unwilling to do, the state has gradually become the major exploiter of the natural resources of Turkey. As a corollary of this situation, the state participates in international commerce, both as a trader and by exercising trade controls.

Although the Turkish economy is at present a mixed economy, based partly on Government and partly on private enterprise, there is noticeable a concerted effort to concentrate economic control, if not actual ownership, in the hands of the Government. Government economists, while maintaining that the Government is withdrawing from international trade, admit that étatism does not permit the Government to relinquish the basic controls which enable it to influence international trade. They also state that, for the good of the nation, it will be necessary for the Government to continue to exploit the national resources of the country. Under these circumstances, continued state participation in international trade is a virtual certainty.

Argentina

State trading in Argentina is handled by the Argentine Trade Promotion Institute. This organization was apparently conceived and is utilized by the present Government to further the Government's broad economic policies. In pursuit of these ends, the institute is now engaged in the export trade of many important Argentine commodities to obtain revenue to help finance Government projects; it is controlling a small number of Argentine imports to husband foreign exchange and protect local industry (in order that materials may be purchased and produced on the scale necessary to realize these plans); and it is acting as the Government purchasing agent in an effort to get the best terms possible for the Government in its foreign purchases. The export functions of the institute seem destined to go on only so long as Argentine commodities command an abnormally high price in world markets. Import functions will probably be expanded and will continue as long as it is necessary to make heavy Government purchases abroad, but may well continue beyond that point in modified form to protect infant Argentine industries. The Government purchasing functions of the institute will probably last as long as Government purchases are being made abroad in large enough quantity to make those functions seem worth while.

Denmark

Denmark has at present valid bilateral trade agreements with 15 countries and the French zone of Germany. Generally speaking, these agreements call for the shipment of definite amounts of Danish merchandise in return for definite amounts of foreign goods or exchange.

Inasmuch as Denmark has thus agreed to ship the bulk of its available exports to certain countries, it is obvious that, in order to implement the trade agreements, the state must direct the flow of exports so that it will reach the designated countries in the proper amounts.

This flow is nominally directed by the Government's issuance of export licenses. However, for the major export items (agricultural), the state has utilized the extensive cooperative marketing organizations to supervise the distribution of supplies between the domestic market and the various foreign markets.

The Danish export distribution system is built around a series of commodity committees established by the producing and marketing interests to work closely with the Ministry of Agriculture and other Government agencies. Most of the commodity committees were established during the depression years 1932–36. In that period, the chief function of the committees was to promote as much as possible the sales abroad of a burdensome export surplus and to administer production control schemes. In recent years and particularly since the end of the war, the chief function has been to distribute among foreign buyers the relatively small volume of exportable products remaining after domestic requirements have been provided for.

The work of the committees includes distribution of the available export opportunities between the various export organizations of the industry. Actual sales of any significant size, however, are made in the name of the committee, which, in most cases, is the body with which foreign buyers enter into contracts and to which export licenses are granted. It is anticipated that this procedure will continue as long as Danish export supplies fall so short of meeting requirements abroad. However, the Danish Prime Minister stated recently that the Government wishes to restore the former practice of independent sales as soon as possible.

Nonagricultural exports are also controlled by the issuance of export licenses. The various industry trade organizations work as closely as possible with the Government. The degree of cooperation is generally not as close as in the agricultural governmental relationships except in those industries that are closely knit together, such as the cement industry. It should also be noted that the Government is often a large stockholder in many of the larger industrial concerns and can therefore procure a degree of close cooperation from them.

Agricultural as well as nonagricultural products, with the exception of a few unimportant items, imported into Denmark are subject to the national import license procedure and to foreign exchange allocations. There is no system of commodity committees operating in the importing of agricultural items, with the exception of seeds.

Directive control is naturally exercised in the issuance (or nonissuance) of import licenses and foreign exchange allocations. Applications are examined not only for country of sale and availability of foreign exchange but also for the importance of the merchandise to the Danish economy. Thus many foreign items, particularly those which will not be used locally for the manufacture of goods essential to the national economy or for export, are almost entirely excluded through the denial of import licenses.

In only one case, namely Danekul, is the Danish Government directly participating. Danekul is a semigovernmental organization which arranges for the purchase and import of coal, which is essential to the nation's economy. The board of the organization consists of representatives of the private coal importers, Government agencies, state railways, and utilities. (The representatives of private organizations are in the minority.)

Czechoslovakia

With the exception of the old state monopolies dating from Austro-Hungarian days on the production, importation, and exportation of tobacco, salt, saccharine, explosives, alcohol, and matches, there is no officially organized state trading in Czechoslovakia. The government, nevertheless, exercises close supervision and control of foreign trade through the import and export licensing system dating back to the 1930's and through the foreign exchange control exercised by the national bank. Kotva, the largest import-export firm in the country, came under national administration when its parent firm of Bata was nationalized. Omnipol, the next largest firm, is nominally independent, but the Czechoslovak Government, through its prewar participation in the ownership of the Skoda works, owns 20 percent and possibly more of the shares of Omnipol. Although these firms are therefore under government influence, they remain relatively free to compete with each other and with privately controlled Czech and foreign import-export firms. Before the war these two firms held exclusive representation rights with many Czechoslovak factories, which they have continued to hold in spite of the transformation of these factories and groups of factories into national corporations. It is quite possible that the Government, through its import-export licenses and its exchange control, may occasionally go out of its way to help these firms, but there is little direct evidence that this in fact has taken place. The care with which the different parties in the national front scrutinize the work of each other's ministers has apparently been sufficient to keep the Government fairly objective, as far as foreign trade is concerned, in its work of balancing the competing claims of the public and private sectors of the economy. Thus, although the so-called purchasing missions sent abroad by various industries on occasion make commitments for an entire industry, there seems to be no formal obstacle making it impossible for individual firms—whether they be private or national corporations—to conclude separate purchasing agreements with foreign suppliers if they find it more advantageous to do so.

In principle this same degree of elasticity and freedom exists within the export trade, but because of the present generally heavy demand for Czechoslovak exports and the difficulty Czechoslovak industry has so far encountered in meeting all of its domestic and foreign commitments the foreign buyer is likely to find that he can get earlier delivery on his purchases if he places his order with one of the firms mentioned above. These firms usually have agreements with individual industries to take a fixed percentage of the industries' output.

It is in the supervision of trade with neighboring countries which possess state trade monopolies and in the control of the import of raw materials, however, that the Ministry of Foreign Trade has thus far most closely concerned itself. A Plenipotentiary for Trade with the Soviet Union has been appointed to keep watch on the execution

of the trade agreement with the U. S. S. R. A similar arrangement is being made for trade with Yugoslavia. As regards importation of raw materials, a bill is now in preparation to give exclusive rights to import certain raw materials to individual national economic groups or to the importing firms already named. The new arrangement is expected to provide for bulk consolidated purchases of cotton, copper, and possibly other raw materials. For the time being, no provision is apparently being made for any additional concentration of control of exports or of imports of other than raw materials.

From 1942 through 1947 global sales of sugar, molasses, and alcohol produced in Cuba have been made by the Cuban Government directly to agencies of the United States Government under powers granted by Decree Law 522 of 1936 and war emergency powers of the President.

(1) Origin and history, article 1 of Decree Law 522 of 1936 empowers the Government, through the Sugar Stabilization Institute, to control sugar production and exports. Under war emergency powers the President also has authority to control exports.

(2) Declared purposes: The global sales of crops from 1942 through 1947 were for the war emergency to provide the United Nations with the maximum quantities of sugar, molasses, and alcohol.

(3) The degree of monopoly: The institute, and hence the Cuban Government, has a complete monopoly for exports of all legally produced quantities of those products.

(4) Volume of business: Global sales of the 1947 crop, including sales to other countries, should amount to some $580,000,000, representing about 93 percent of Cuba's total crop. Sugar alone usually represents about 80 percent of Cuba's total value of exports of all commodities.

(5) The mechanism used: Government-appointed missions negotiate the crop sale contracts with the consultation and agreement of the industry. Administration of the contracts is through the Sugar Stabilization Institute, a semi-Government organization.

(6) Details of operation: Sugar, molasses, and industrial alcohol are sold f. o. b. Cuban port to agencies of the United States Government, e. g., the Commodity Credit Corporation and the Reconstruction Finance Corporation. The Cuban administrative agency, the Sugar Stabilization Institute's permanent General Secretary is Manuel Rasco and the position of president is rotated by election by the general assembly.

(7) Discrimination among foreign countries: The sole purchasers are the United States agencies which distribute among other United Nations in accordance with allocations by an international committee. This is in addition, however, to the limited quantities sold in 1946 and again in 1947 to other American countries under individual contracts with the respective governments of each country. Any discrimination that may occur here presumably is on the basis of each of the several countries' need for sugar, possibilities of obtaining a permanent market, and of obtaining, in return, concessions either in the form of food products needed in Cuba or by granting markets for Cuban products, such as cigars for shipment to Mexico.

United Kingdom

1. The greater part of state-trading by the United Kingdom is at present and will continue to be mostly in imports of foodstuffs and raw materials, though some reexport and "third country" trading will develop in raw cotton and possibly also in coffee and a few other products of importance to the economic life of colonial territories.

2. The scope of state import trading in the future is obscure because the Government's declared policy is to make its decisions on each product in the light of all the relevant circumstances.

3. Bulk buying of all West African cocoa is to be carried out by state-appointed boards, which will fix buying prices for each season. West African cocoa will in turn be sold on the world's markets by a body to be set up in London.

4. The £24,000,000 project for mechanized production of ground nuts in east Africa, designed on a large scale and integrated with colonial development policy, is likely to be followed by other schemes,[1] but any such development for high-cost production of products not in world short supply—e. g. cotton, tobacco, etc., is unlikely unless Britain continues for some years to be in its present acutely difficult balance of payments position.

5. The centralized buying scheme for cotton is an experiment, the success of which it will be impossible to assess for a long time since the aim is to maintain some undefined degree of price stability over an unspecified period of years.

6. It appears to be the policy to abandon state-procurement in the raw material field (with the exception of cotton) as the scarcity factor disappears—but no definite forecast is justified on the fate of such important materials as nonferrous metals and timber. Balance of payments considerations may in some cases prolong state trading beyond the life of scarcities of a given product.

7. Foodstuffs will continue to be purchased in bulk, probably increasingly on long-term contracts, so long as scarcities prevail. Even when food products become more abundant, limited foreign-exchange resources will necessitate domestic rationing of some items which, in turn, will require state trading, so that the course of Britain's balance of payments position may largely determine the scope of bulk purchasing. Since rationing of the essential foods is regarded by some Labor Party leaders as permanently desirable, state trading in the principal staple foods may possibly become more or less permanent.

8. Colonial development projects blend well with long-term bulk-purchase contracts as well as with extensive production projects such as the peanut scheme launched by the ministry of food and the colonial office. The long-term bulk-purchase contract—by offering an assured market for total crops for a number of years—introduces an element into purchase deals by the state, the relative "commercial" value of which it is extremely difficult, if not impossible, to assess. ITO might develop a sort of international tender system by which open offers to all producers on similar terms might be required when governments wish to make such contracts.

9. State export trading in products of nationalized industries is not a near prospect of importance since coal, the only export industry as yet nationalized, for the present holds out no hope of any appreciable export surplus. Coal exports will probably be confined to shipments of bunkers for United Kingdom overseas bases and small quantities to Eire for the next few years.

Coal, if available for export, would offer a useful bargaining counter in negotiations for scarce imports—especially timber—but by the time a British exportable surplus is available, if ever, the value of this asset may have largely disappeared as a result of increased production in Europe.

Brazil

There are only rare instances in which state trading has been undertaken in Brazil and even then generally it is implemented through regular commercial channels. Probably the strongest case of state trading is the monopoly of the ipecac trade centered in the Bank of Brazil, which has been authorized by law as the sole buyer and seller of the root. The bank, however, has delegated its buying and selling activities to normal dealers in the commodity, so that in actual practice it acts more as a controlling agent than as a holder of a state trading monopoly. The same may be said of the rice, cocoa, and coffee trades, which also involve some phases of state trading. The control over rubber production and trade is of a more comprehensive nature, but it was instituted to implement the rubber agreement between the United States and Brazil, which is still in force.

The activities of the National Petroleum Council are in a stage of development, and it is not yet a factor in the petroleum trade. For the time being it enters the field of state trading primarily as a direct purchaser of equipment.

The only instance of Government purchase for resale is in connection with agricultural machinery for resale to farmers at cost. The remainder of the state trading is largely devoted to purchases of the Government and Government-controlled industries for their own use.

The Government authorized the export-import department of the Bank of Brazil to have a monopoly of purchase and sale of ipecac to supply the demand for emetine. The bank delegated its power to firms customarily engaged in the ipecac business, merely fixing the prices at which they should buy and sell, and established quotas for the firms buying from the ipecac dealers, since the supply was short.

Rice: The State of Rio Grande do Sul established the Rice Institute, which controls the purchase, milling, and sale of rice for export. Exporters bring offers from foreign sources to the institute, then authorize the prices at which the sales may be made and the quantities to be made available. The institute also sets the price to be paid the producers of rice and the amount of the milling charges.

Cocoa: The State of Bahia has established the Cocoa Institute, which controls all purchases and sales of cocoa for export.

Coffee: From mid-1944 to June 30, 1946, the Federal Government controlled the purchase and sale of coffee for export. It acted through export firms, but itself determined prices of the sales.

Rubber: On July 9, 1942, the Rubber Bank was established for a period of 20 years. The bank buys all the rubber produced, rations a certain amount for domestic consumption, and exports the balance. To implement its control, the bank limits the amount of finished rubber goods to be imported, because the price paid by the domestic consumers of crude rubber is above that prevailing in world markets.

Petroleum: Eight representatives of as many agencies in the Federal Government form the Petroleum Council. The council controls every phase of the petroleum industry even to the construction of refineries and the granting of oil leases.

Agricultural equipment: For many years there has existed within the Federal Department of Agriculture the Division de Fomento da Producao Vegetal which purchases agricultural equipment abroad for resale or loan to farmers.

Purchases by Government departments: Nearly every department has some funds available for its own operations.

Autonomous Government-controlled industries: These are industries owned by the Government but operated like private corporations. There are two steamship companies, a railway, a steel plant and byprod-

[1] Though probably of not so vast a nature.

uct coke operation, and iron-mining company, one making airplane motors.

Mexico

International trading by the Government of Mexico itself, or its wholly owned agencies, is extremely limited. Actually most of the foreign business of the country is done by various types of associations which are organized in forms prescribed by the Government and operate under greater or less Government supervision. An exception to the general rule occurs in the case of Petroleos Mexicanos.

Petroleos Mexicanos: In Mexico the petroleum industry has been nationalized in all its branches. The wholly owned government agency which constitutes the industry is Petroleos Mexicanos. It seems, although it is not possible to find out for sure, that Petroleos Mexicanos is subject to all the taxes levied against private businesses, and that it receives no compensating privileges. In any case the petroleum industry of Mexico is on an import rather than an export basis, so there is no competition with the products of other nations in world markets.

Nacional Distribuidora y Reguladora: State trading in another form occurs in the operations of Nacional Distribuidora y Reguladora. Because of the shortages caused by the war this agency was organized by the Government to perform functions somewhat similar to those assigned to OPA. The agency is controlled by the Government through the ownership of a majority of the voting stock.

Other stockholders are the larger banks and two labor organizations. The agency is intended, besides regulating prices and distribution, to assist private interests in securing the capital to provide warehouse and transportation facilities. Its manner of operating differs materially from that of OPA in that it itself buys the supplies of scarce commodities. It then arranges for distribution through wholesale and retail channels.

Where Distribuidora finds a surplus of any commodity it is authorized to engage in export operations. Actually it has never done so because there has never been a surplus. At the time of its organization, however, it was made eligible for export and import subsidies.

It was understood from the first that Distribuidora would exist only during the period of war shortages, and it has already relinquished control over a great many commodities. When its activities were at their height, however, it provided the only market in Mexico for a great many commodities.

Cooperatives-Federations of Cooperatives: A much more important constituent of the normal commercial life of Mexico than either Petroleos Mexicanos or Distribuidora are the producers' (workers') cooperatives. They represent a modern development of the concept, common alike to Spain and Aztec Mexico before the conquest, that private property rights are held only permissively from the sovereign.

The Mexican Constitution of 1937 made elaborate provision for the organization and regulation of producers' (workers') cooperatives. Under the constitution the formation of the cooperatives must be approved by the Federal Ministry of Economy, and its operations are regulated by the Ministry in the public interest. Even its contracts, in the typical case, have no validity until they bear the stamp of Government approval.

Cooperatives are also required to join the appropriate federation of cooperatives if one is in existence. Notwithstanding these limitations on their activities, cooperatives receive such benefits, in the form of exemption from taxes and eligibility for subsidies, that in the industries where they exist they are usually monopolies—there are no individual producers or traders. The Government undertakes to control the whole economy of the country in the interest of all its inhabitants. For the attainment of this end it avowedly grants more assistance to the weak industries and sections of the country than to the strong, even to the point of maintaining enterprises which, if left to themselves, could not hope to survive.

The favor shown cooperatives over individuals extends also to the export field, although only in a negative way. Mexico levies export taxes which are remitted to cooperatives but not to independents.

No general statement regarding the rights and privileges of cooperatives in export trade is possible, since those differ slightly in different cases. It is possible to say, however, that in any commodity where there is a federation of cooperatives or cooperativos, those associations do the bulk of the exporting.

The consent of the Ministry of Economy, however, must be secured for export contracts as well as for sales in the domestic market. And that consent will not be given if the execution of the agreement would cause a shortage of the commodity in Mexico.

It would be difficult to say that because of their quasi-public character the cooperatives or their federations gain any advantage in export markets. The fact that they are relatively large organizations, and exercise almost a monopoly control of their product in Mexico, may give them some economic advantage in world markets.

Companies of public interest and similar organizations: Also subject to supervision by the Ministry of Economy are a group of companies, classified according to the particular law under which they are organized—

(a) Companies of public interest.

(b) Companies enjoying special privileges or exemptions.

(c) Producers' associations.

In providing for the formation of associations of these types the Government again aimed to assist groups and industries in a particularly weak position. Their legal status closely resembles that of the cooperatives. Their contracts do not, however, require governmental approval. On the other hand they are required to furnish to the Government somewhat more detailed and frequent reports than are required of the cooperatives. And the Government exercises a greater degree of control over their operations and fixes their prices. In the matter of exports they stand on the same footing as the cooperatives, not being subject to export taxes. It cannot be said that they gain any positive advantage in foreign trade because of their relationship to the Government.

France

State trading operations in France range from a complete long-established monopoly of the importation, manufacture, domestic production and exportation of a single product, tobacco, to a temporary selling monopoly of lend-lease surplus property. The former was established in 1810, and the latter in 1946. Between these two extremes, certain activities should also be considered in connection with the general subject of state trading in France. The National Cereals Board (Office National Interprofessionnel des Céréales) should be placed generally in the same category with the tobacco monopoly, although it does not exercise the same degree of control over domestic cereals production as the tobacco monopoly does over tobacco production.

During the war, French supply missions were established in the United Kingdom, the United States, and Canada for the procurement of necessary supplies. As a complement to these supply missions there was created in France the Service d'Importation et d'Exportation (Impex), the principal function of which was to take over ownership of the commodities purchased by the various supply missions and to provide for their transportation to France and subsequent distribution, in accordance with decisions of the French allocation authorities. Gradually, and especially since the beginning of 1946, the functions of the French supply missions abroad have been reduced. There has been a consequent reduction, therefore, in the functions of Impex.

However, the reduction of the functions of the supply missions have not resulted in an immediate transfer of these functions to private French importers. There has been a transitional stage characterized by a number of quasi-governmental organizations (groupements d'importation) which were originally established during the war to coordinate the supply of particular materials. As the functions of the supply missions abroad have been reduced, these quasi-governmental organizations have been given increasing responsibility for importations into France. According to both French Government officials, and many businessmen who participate in these groupements, they are essentially a temporary phenomena and are being used because of the problems of the transitional period. It is anticipated according to present thinking that their functions will be gradually reduced and trade returned to private commercial channels.

Paraguay

Direct international state trading is one of the activities of the National Subsistence Administration. This agency of the Paraguayan Government was given wide powers, as a wartime measure, to control imports of essential commodities by allocating quotas to individual importers, as well as by importing for its own account commodities in short supply. These powers have been found particularly useful in handling bulk purchases of Argentine wheat for resale to domestic millers. The agency also imports salt, cement, caustic soda, and carbon dioxide for resale. Business organizations are represented on the Board of the National Subsistence Administration. No other agencies engage in important state-trading activities. State trading, as practiced by the Paraguayan Government is generally accepted by the local business community as necessary so long as supplying countries, notably Argentina, require government-to-government negotiations in important foreign trade transactions.

Eventually, various Government and quasi-governmental enterprises may become important factors in the export trade, involving substantial Government participation in activities which otherwise would be handled entirely by private exporters. For the time being, however, state-owned, or mixed public and private organizations, are not an important factor in Paraguay's international trade. Only the National Subsistence Administration appears to exercise effective control over a significant part of Paraguay's foreign commerce. In this instance control is not exercised in a way which appears to be monopolistic or discriminatory. The powers granted the agency, however, are sufficiently broad to permit the development of a complete monopoly over any imported commodities which the board considers essential to the economy.

Poland

The foreign trade of this country is in fact, though not in name, a Government monopoly. Positive control of foreign trade is accomplished first, through the requirement by the Polish Government of a license covering

each individual order or shipment and secondly, through the rigid control over foreign exchange which is also exercised by the Government.

There are two noteworthy apparent exemptions to the above in the Spolem, which is the agricultural and consumers' cooperative of the country; and the DAL, which before the war was a stock company with ownership vested in a number of private citizens, engaged in the meat-packing business. In each case, however, a casual study reveals that the Government can and does exercise control over their foreign dealings. In the case of the Spolem, or agricultural cooperative, it is today actually a Government organization. In that of the DAL the Government has secured stock control of the company which obviously permits it to control its policies and foreign dealings.

In addition to the above, there is an organization known as the Panstwowa Centrala Handlowa which is a bureau of the Government set up for the sole purpose of engaging in both foreign and domestic trade.

Through the unrealistic rate of exchange of 100 zlotys to the dollar which was established in 1945 by the Polish Government, it is virtually impossible for private trade to be carried on with the hard-currency countries. This is best illustrated by the fact that the current open market rate for the dollar varies from 1,000 to 1,300 zlotys. The result has been to bring about a series of bilateral trade agreements which at first were on a straight compensation basis or exchange of products. More recently, however, in its trade negotiations with Norway, Sweden, and Finland, the Polish Government, in addition to the exchange of commodities, has inserted clauses which will result in its receiving a part at least of the compensation in dollar or pounds sterling, which will not affect the control over foreign exchange. Therefore, it cannot be construed as a relaxation of the Government's control over foreign trade.

Switzerland

Prior to the war the Swiss Government exercised monopolistic control over only three commodities, viz, alcohol, gunpowder, and salt. In the case of alcohol the control developed out of a social policy. The security of the state, it was thought, was increased by its control of gunpowder. Salt was controlled because it provided an exceptionally easy means of raising revenue.

In each of these commodities, either the Government itself or an agency altogether under its control, is the agency which exercises all the functions incident to importation. The limitation of Government control to these three commodities was in accord with Swiss history and the attitude of the Swiss people.

During the war, however, Switzerland was entirely surrounded by belligerents and it was recognized that a fair distribution of products in short supply required the intervention of the Central Government. This control, however, was thought of as purely temporary, and since the close of the war the controls have been eliminated as quickly as practicable. As of March 1, 1947, only four commodities, viz, sugar, cereal and fodder grains, coal, and oils and fats, continued under close Federal control.

Sugar: The commodity section of the Swiss War Economy Board makes all purchases of sugar, whether of domestic or foreign origin. Distribution to consumers is in accordance with rules established by the commodity section.

Cereal and fodder grains: A Government agency, the Federal Cereal Administration, controls the fodder and cereal commodities. This agency purchases all domestic production and distributes both it and that purchased abroad. The importation of fodder grain only, however, it has delegated to a special agency.

Coal: All domestic and foreign coal is allocated by the Swiss Government. The Government has, however, delegated to each of several Government agencies the function of purchasing and importing coal from a particular foreign country.

Oils and fats: Due to the extreme scarcity of oils and fats purchasing representation is maintained by the Swiss Government in Washington, and one or more of the largest oil-processing firms has, on occasion, been permitted to buy for their own account in foreign countries. Otherwise all oils and fats to be sold in Switzerland are purchased and allocated by the Government agency known as Cibaria, working in conjunction with an association of all the members of the oil and fat industry and the oil and fat section of the War Emergency Board.

All of the operations indicated above were authorized by a special war power granted to the Federal Government and are understood to be of an altogether temporary nature.

It perhaps should be pointed out that an import license is necessary for all commodities under international allocation. Imports are also affected by bilateral trade agreements and quotas. These two last devices have been resorted to (a) as a substitute for tariffs and (b) to control foreign exchange. Also, price control is exercised over imports when they enter the domestic market.

I ask unanimous consent to include at this point of my remarks the following statement regarding bilateral agreements furnished by the State Department for the record of hearings before the Senate Committee on Finance on H. R. 1211, pages 32–52:

BILATERAL AGREEMENTS

The general subject of bilateral agreements that affect world trade was dealt with in detail in a memorandum placed in the record of the 1947 hearings of this Committee on the Trade-Agreement System and the Proposed International Trade Organization Charter (exhibit X, beginning on p. 1250, pt. 2, of the hearings). The lists of agreements in that exhibit have been brought up to date so far as possible in the accompanying memorandum.

So far as is known, agreements of this special type do not contain tariff or other provisions comparable to "concessions" as the term is used in connection with the reciprocal trade agreements negotiated by the United States. Therefore, the question of whether the provisions of these special agreements are "generalized" is not applicable. As a rule, these agreements relate to the exchange of specified commodities—sometimes by specified quantities or values, to clearing arrangements, to exchange controls, to import-license restrictions, etc. The bilateral agreements between the United States and the countries receiving aid under the ECA do not contain tariff provisions.

Benelux (Belgium, the Netherlands, and Luxemburg) is the only customs union of significant scope operating in western Europe. Benelux is a contracting party to the general agreement on tariffs and trade and as such is obligated to generalize any tariff concession it may make on imports into Benelux territory, to all other contracting parties to the general agreement, of which the United States is one. There are no tariffs on imports of goods from one Benelux country into another. A customs union between France and Italy has been studied but has not yet been brought before the legislative bodies of the two countries. France is also a contracting party to the general agreement and Italy will be negotiating at Annecy in April for the purpose of acceding to the general agreement.

A. GENERAL STATEMENT ON BILATERAL AGREEMENTS

The term "bilateral agreement" itself has no precise meaning as far as the provisions of the agreement are concerned. Most intergovernmental agreements relating to trade are bilateral, and they may take any one of a number of forms. The following general types may be separately identified and they cover approximately the range of opportunities that are open to governments in making bilateral agreements in relation to trade. Any given bilateral agreement may combine various characteristics of more than one type of agreement.

1. Commercial treaties: These establish the foundations for trade relations.

2. Trade agreements, of the type entered into by this Government with other governments. These provide for the reciprocal reduction of trade barriers and establish the general framework within which trade will be conducted.

3. Clearing agreements: These provide for the exchange of goods with a minimum of foreign-exchange transactions. Importers pay their debts in their own national currencies and exporters are paid in their own currencies. Transfer of foreign exchange is thus eliminated.

4. Payments agreements: These are designed to guarantee that the proceeds from the sale by one country to another shall be used to pay for current imports from that country or to settle arrears and other financial claims.

5. Bulk purchasing: Bulk-purchase agreements commit a significant portion of a country's export of a particular commodity for significant future period. The purchase may or may not be at a fixed price.

6. Compensation agreements: Compensation agreements usually provide for establishment of equivalence in trade between the two contracting countries, with some financial settlement required, but involving a minimum of currency exchanged.

7. Barter agreements: These arrange for an exchange of goods for goods, either with no values assigned or with values stated on a common basis so as not to require any arrangement for centralized financial settlement.

This memorandum is not concerned with either commercial treaties or trade agreements of the type concluded under the United States reciprocal trade-agreements program, nor is it concerned with the prewar type of bilateral agreement having to do with financial settlement, growing out of the shortage of currency and not involving a specific transfer of commodities.

Postwar agreements

Most postwar bilateral agreements are a combination of compensation and clearing agreements, with many variations and special arrangements. The most numerous types usually have some or all of the following characteristics:

1. They are intergovernmental and strictly bilateral, but the governments themselves usually do not purchase or supply the commodities involved.

2. They are for short terms, generally about a year.

3. They include lists of specified products; each of the two parties agrees to permit shipments of these products, up to the quantities or values specified, under whatever export-control system it regularly maintains. The agreements usually authorize but do not guarantee the exchange of goods.

4. Settlement for goods exchanged is made through clearing accounts in the respective national banks in order to minimize transfers of currency.

In connection with some of these agreements credits may be extended for a longer

period of time than is provided for the exchange of goods themselves.

The following tabulations include all intergovernmental bilateral trade or financial agreements on which information is available. Probably the lists are not complete, however, either as to number of agreements actually in existence, or as to terms of the agreements. Official texts are not always available and in some cases information has been obtainable only from confidential sources.

Why bilateral agreements are made

The typical postwar bilateral agreement is essentially a makeshift designed to meet temporary necessities of countries whose economies have suffered because of the war. Such agreements do not necessarily represent permanent departure from multilateral, competitive trade policies. The governments participating in them usually describe them as undesirable necessities which should be abandoned as soon as conditions permit a return to multilateral trade.

The majority of these agreements are clearly attempts by the countries involved to obtain urgently needed imports when exports and credits are scarce. Countries are not willing to export unless they can be sure of obtaining needed imports in return. The agreements reflect low levels of production in foreign countries and an almost worldwide shortage of United States dollars. Without stable or convertible currencies many countries must lean heavily on two-way commodity exchanges which roughly balance out and which depend on clearing arrangements to facilitate solution of the monetary problem.

Effect on United States trade and trade policy

Few of these bilateral arrangements directly affect the trade of the United States under present conditions. They seldom involve significant quantities of a given commodity as compared with the volume of prewar trade, and seldom have the effect of preempting import markets which the United States exporters are anxious to supply. There is, moreover, a great difference between the volume of trade authorized under these agreements and the amount of trade which actually occurs. In general, the quantities of commodities schedule in the agreements represent the volume of exports which one country would like to send out and the volume of imports which it would like to have, rather than what it actually can produce for export or can pay for as imports.

While the postwar pattern of bilateral commercial agreements arises from understandable necessities and while few of the agreements directly threaten any injury to United States foreign trade now, their tendency is nevertheless toward restriction of world trade and toward conflict with American economic foreign policy. This Government therefore believes it undesirable for this pattern to continue and to be frozen after world shortages of commodities are ended.

The United States Government, therefore, has sought, through the reciprocal trade-agreements program, through participation in the International Monetary Fund and the International Bank for Reconstruction and Development, and through support of the proposed International Trade Organization, to eliminate the conditions under which so many countries have turned to bilateral exclusive trade agreements as the only way out of their dilemma.

B. EUROPEAN BILATERAL AGREEMENTS

Since the end of World War II, intra-European trade has been conducted primarily within the framework of bilateral trade and payments agreements. According to information presently available, at least 213 agreements are in force between European countries, including 79 agreements among countries participating in the Organization for European Economic Cooperation (OEEC), 88 agreements between OEEC countries and countries of eastern Europe, 9 agreements of OEEC countries with Spain, and 37 agreements among countries of eastern Europe.

Although the physical supplies of goods available for trade within Europe have improved considerably since the end of the war, the basic conditions that necessitated the resort to bilateral trade agreements remain in force: (1) Europe as a whole needs to import more goods and services than it can export in return; (2) European currencies, except the Swiss franc and the pound sterling within the sterling area, remain soft and not freely convertible into dollars; and (3) even the financially stronger European countries, such as Belgium and Switzerland, must take payment on their exports to Europe in European goods or in soft European currencies. As a result, European trade still is characterized by a scheduling of imports and exports by quantity or value during a short-term future period. There is usually clearing of current payments through special accounts that balance, within narrow limits, payments due from and payments due to agreement partners. The essentiality of the goods imported in return for exports and the possibility of paying for imports by means of the country's own exports are the bases of trade negotiations.

It should be noted that scheduled quantities and projected trade values under bilateral agreements are not restrictions on trade but trade targets for the period specified. Quotas may be increased or a supplementary agreement may be negotiated if trade possibilities improve during the agreement period. The negotiating governments usually agree to issue licenses at least up to the quantities or values specified but do not, as a rule, guarantee their implementation. Even the agreements negotiated by State-trading countries generally must be spelled out by further negotiations on specific prices and delivery dates before target quotas have the force of contracts. In the case of Turkey and the United Kingdom, specific commodity quotas frequently do not appear in the bilateral agreement.

Although generalization is difficult in the wide field of bilateral agreements, certain distinctions may be drawn: (1) Agreements between OEEC countries, as a result of OEEC efforts and ECA assistance, are tending to depart from a strictly bilateral pattern. During 1948, it became apparent that important trade channels in western Europe were becoming blocked by the heavy debtor position of certain countries and the inability of European creditor countries to extend these debtors further credit. Trade was encountering the typical difficulty of bilateralism, which tends to limit trade to the lower level possible between agreement partners. By means of simple clearing through the Bank of International Settlements, a limited number of triangular or quadrilateral offsets were arranged. As a condition for receiving ECA conditional aid allotments, creditor countries in the current year agree to extend drawing rights to their debtors. Drawing rights against the creditor are to result in an excess of creditors' exports over imports obtainable from the debtor, in value at least equal to the amount of the conditional aid. In this way, a rough conversion of soft-currency credits into dollar credits is arranged.

(2) Agreements between OEEC countries and countries in eastern Europe generally have less complicated financial provisions and more limited credit "swings" than intra-western European agreements. An excess of western European imports from eastern Europe is, however, traditional in intra-European trade. To finance a current import surplus of foodstuffs, fuel, and raw materials from eastern Europe, western European countries generally cannot make payments in gold or dollars. As a result of this situation "investment" agreements have been developed under which an eastern European supplier (especially Poland, the USSR, and Yugoslavia) delivers goods in the current year as orders are placed for machinery and other industrial goods for delivery over 2- to 7-year periods. In some cases, specific percentage down payments are required in the form of exports from the eastern European countries. In some cases, the eastern European partner is to supply specified raw materials needed for the production of the type of goods ordered. It may be noted that investment-type agreements appear also in eastern European trade with Czechoslovakia most frequently the supplier of goods for long-term delivery.

(3) Agreements between European countries and countries of the Middle and Far East and between European countries and countries of Latin America sometimes differ widely from the continental European pattern. As dollars have become increasingly scarce in Latin America as well as in Europe, Europe's trade with Latin American countries is tending more and more toward a bilateral balancing of imports and exports. This bilateralism, however, is not as yet complete and limited credits and free-exchange payments may be found in European-Latin American trade. In some cases, European "agreements" with non-European areas are not reported in detail and may represent specific deals rather than full-scale government-to-government agreements.

Following are (a) a summary of European bilateral agreements, with the various European and non-European areas, and (b) a list of the agreement partners and time periods of bilateral agreements reported.

Summary of European bilateral agreements as of Feb. 17, 1949

1. Agreements between OEEC countries:	
(a) In western Europe and Scandinavia	21
(b) Western Europe and Scandinavia with Austria, Mediterranean OEEC countries, and Iceland	34
(c) Western Germany with OEEC countries	11
(d) United Kingdom with OEEC countries	13
Total intra-OEEC agreements	79
2. Agreements between OEEC countries and countries of eastern Europe	88
3. OEEC countries with Spain	9
Total OEEC countries with non-OEEC countries in Europe	97
Total OEEC agreements in Europe	176
4. Agreements between countries of eastern Europe	37
Total intra-European agreements	213
5. Agreements between continental European countries and countries outside Europe:	
(a) OEEC countries with the Middle and Far East	6
(b) Eastern Europe with the Middle and Far East	7
(c) OEEC countries with Latin America	15
(d) Eastern Europe with Latin America	10
(e) Spain with Latin America	2
Total European with non-European countries	40
Total agreements	253

1. Most recent commercial agreements between OEEC countries:

(a) Western Europe and Scandinavia:

Partners	Period	Special provisions
France-Belgium	July 1947-48; prolonged to Oct. 31, 1948	
France-Netherlands	August 1948-49	
France-Norway	June 1948-49	
France-Sweden	November 1947-48; July 1948-51 payments	
France-Denmark	November 1948-49, supplemented December	Danish drawing rights.
France-Switzerland	August 1947-48, prolonged to Nov. 30, 1948, and again to Feb. 28, 1949	
Belgium-Netherlands	June 1, 1947-May 31, 1949; revised July 1948	
Belgium-Norway	January-December 1949	Norwegian drawing rights.
Belgium-Sweden	January-December 1948, May 1945 payments agreement to be terminated Feb. 15, 1949.	
Belgium-Denmark	January-December 1948; supplemented November 1948; 1949 trade partially arranged.	
Belgium-Switzerland	October 1948-49	
Netherlands-Norway	January-December 1948; supplemented May 1948	
Netherlands-Sweden	January-December 1948; supplemented November 1948; extended to Feb. 28, 1949; payments November 1945-Dec. 31, 1949.	
Netherlands-Denmark	June 1948-49	
Netherlands-Switzerland	July 1948-49; to be prolonged to Sept. 30, 1949	
Norway-Sweden	January-December 1949	
Norway-Denmark	April 1948-49	
Norway-Switzerland	July 1948-49; 1947-50 payments agreements	
Sweden-Denmark	February 1948-Jan. 31, 1949; supplemented November 1948	
Sweden-Switzerland	May 1948-50	
Denmark-Switzerland	January-December 1949	
Total (21).		

(b) Western Europe and Scandinavia with Austria, Mediterranean OEEC countries and Iceland:

Partners	Period	Special provisions
France-Austria	November 1948-49	
France-Portugal	June 1948-49	
France-Italy	April 1948-49, supplement September	
France-Greece	July 1948-49	
France-Turkey	August 1946-47, probably renewed	No quotas.
France-Iceland	July 1947-48, possibly renewed	
Belgium-Austria	June 1948-49	
Belgium-Portugal	April 1948-49	
Belgium-Italy	December 1948-49	
Belgium-Greece	November 1948-49	
Belgium-Turkey	December 1948-June 30, 1949	
Netherlands-Austria	February 1948-49, supplemented December	
Netherlands-Portugal	July 1948-49	
Netherlands-Italy	March 1948-49, supplemented December	
Netherlands-Iceland	December 1948-49	
Norway-Austria	November 1948-49	
Sweden-Austria	January-December 1949	
Sweden-Portugal	July 1948-49	Do.
Sweden-Italy	December 1948-September 1949	
Sweden-Greece	June 1948-49	
Sweden-Turkey	June 1948-49	
Sweden-Iceland	April 1948-49	
Denmark-Austria	September 1948-49	
Denmark-Portugal	August 1946-47; renewed	
Denmark-Italy	June 1948-49	
Denmark-Turkey	January 1949-Mar. 31, 1950	Do.
Denmark-Iceland	May 1948-49	Do.
Switzerland-Austria	Protocol of Oct. 1, 1946, valid indefinitely unless denounced	
Switzerland-Italy	October 1948-49	
Switzerland-Greece	April 1948-49	
Portugal-Italy	October 1947-48	
Italy-Greece	April 1947-48, extended to Dec. 31, 1948	
Italy-Turkey	November 1948-June 30, 1949	
Greece-Austria	February 1948-49	
Total (34).		

(c) Western Germany with OEEC countries:

Partners	Effective date	Special provisions
Western Germany-France	November 1948-June 1949	
Western Germany-Belgium	June 1948-June 1949	
Western Germany-Netherlands	August 1948-49	
Western Germany-Norway	July 1948-49	
Western Germany-Sweden	January-December 1949	
Western Germany-Denmark	August 1948-49	
Western Germany-Switzerland	September 1948-49	
Western Germany-Austria	August 1948-49	
Western Germany-Italy	September 1948-June 30, 1949	
Western Germany-Greece	January-December 1948	
Western Germany-Turkey	December 1948-June 30, 1949	
Total (11).		

(d) The United Kingdom-Ireland with OEEC countries:

Partners	Period	Special provisions
France-United Kingdom	November 1946, revised 1948	Payments agreement.
Belgium-United Kingdom	January 1948-June 30, 1949, revised January 1949	
Netherlands-United Kingdom	January-December 1948	
Norway-United Kingdom	January-December 1949; monetary agreement in effect to November 1950.	
Sweden-United Kingdom	January-December 1949	
Denmark-United Kingdom	October 1948-49	
Switzerland-United Kingdom	January-December 1948	
Italy-United Kingdon	January-December 1949	

(d) The United Kingdom-Ireland with OEEC countries—Continued

Partners	Period	Special provisions
Greece-United Kingdom	January 1946	Payments agreement.
Portugal-United Kingdom	April 1948-49	Do.
Iceland-United Kingdom	January-December 1948	
Ireland-United Kingdom	do	
Netherlands-Ireland	July 1948-49	
Total (13).		

2. Most recent commercial agreements between OEEC countries and countries of eastern Europe:

Partners	Period	Special provisions
France-Finland	May 1948-49, suppl. November 1948	
France-Czechoslovakia	August 1948-49	
France-Hungary	November 1947-48, extended to Apr. 30, 1949	
France-Rumania	July 1946 to completion	
France-Yugoslavia	May-December 1948	
France-Bulgaria	June 1947-48, presumably continued	
France-Poland	January-December 1949	Investment agreement; March 1948-52.
Belgium Finland	November 1948-49	
Belgium-Czechoslovakia	March 1948-49	
Belgium-Hungary	April 1947-May 1948	
Belgium-Rumania	September 1948-49	
Belgium-Yugoslavia	do	
Belgium-Bulgaria	April 1947-48	
Belgium-Poland	Nov. 1, 1948-Dec. 31, 1949	
Belgium-U. S. S. R	January-December 1948	(Some Belgian deliveries for 1949.)
Belgium-Soviet zone, Germany	November 1947-48	
Netherlands-Finland	June 1948-49, suppl. September 1948	
Netherlands-Czechoslovakia	January-December 1948, prolonged to March 1949	
Netherlands-Hungary	January-December 1949	
Netherlands-Rumania	February 1948	Preliminary agreement; Rumanian but not Netherlands deliveries specified.
Netherlands-Yugoslavia	February 1948-51; annual quotas suppl. November 1948	Investment agreement.
Netherlands-Bulgaria	November 1948-49	
Netherlands-Poland	January-December 1948	1947-49 investment agreement, revised March and July 1948.
Netherlands-U. S. S. R	June 1948-53 (most items for 1-year delivery)	Investment agreement.
Netherlands-Soviet zone, Germany	June 1948-49	
Norway-Finland	November 1948-49	
Norway-Czechoslovakia	March 1948-49	
Norway-Hungary	November 1947-48	
Norway-Yugoslavia	April 1948-49	
Norway-Poland	January-December 1949	
Norway-U. S. S. R	do	
Norway-Soviet zone, Germany	do	
Sweden-Finland	February 1948-49	
Sweden-Czechoslovakia	November 1947-48	
Sweden-Hungary	October 1948-49	
Sweden-Yugoslavia	April 1948-49	April 1947-54 investment agreement.
Sweden-Bulgaria	October 1947-Dec. 31, 1948	
Sweden-Poland	May 1948-49	March 1947-51 investment agreement.
Sweden-U. S. S. R	January-December 1948	October 1946-51 investment agreement.
Sweden-Soviet zone, Germany	July 1948-49, suppl. December 1948	
Denmark-Finland	January-December 1948; November 1948 suppl. extends and expands agreement to May 1, 1949.	
Denmark-Czechoslovakia	September 1948-49	
Denmark-Hungary	October 1947-48	
Denmark-Yugoslavia	July 1947-48	
Denmark-Bulgaria	May 1947-48	
Denmark-Poland	October 1948-49	
Denmark-U. S. S. R	July 1948-Dec. 31, 1949	
Switzerland-Finland	September 1948-Feb. 28, 1950	
Switzerland-Czechoslovakia	October 1948-49	
Switzerland-Hungary	do	
Switzerland-Rumania	March 1947-50; annual quotas	Investment agreement.
Switzerland-Yugoslavia	October 1948-53; annual quotas	
Switzerland-Bulgaria	January-December 1947	Investment orders; delivery to 1952.
Switzerland-Poland	January-December 1948; revised June 1948	Investment orders; delivery to 1951.
Switzerland-U. S. S. R	April 1948-49	
Switzerland-Soviet zone, Germany	July 1947-48	
Austria-Czechoslovakia	August 1948-June 30, 1949	
Austria-Hungary	January-December 1948, supplemented September 1948	
Austria-Yugoslavia	September 1948-49	
Austria-Bulgaria	October 1948-49	
Austria-Poland	August 1948-49	
Italy-Czechoslovakia	September 1948-49	
Italy-Hungary	December 1948-49	
Italy-Yugoslavia	November 1947-48	1947-52 investment agreement.
Italy-Bulgaria	November 1948-49	Investment deliveries may be authorized.
Italy-Poland	January-December 1948, revised April 1948; extended to 2 months	October 1946-50 investment agreement.
Italy-U. S. S. R	December 1948-49	December 1948-51 investment agreement.
Italy-Soviet zone, Germany	July-December 1947	
Greece-Czechoslovakia	August 1948-49	
Iceland-Finland	July 1948-49	
Iceland-Czechoslovakia	March-December 1948 extended to Feb. 28, 1949	
Iceland-Poland	July 1948-Dec. 31, 1949	
(Iceland-U. S. S. R)	(May 1946-47 agreement not renewed in 1948)	
Western Germany-Finland	July-December 1948	
Western Germany-Czechoslovakia	October 1948-49	
Western Germany-Hungary	August 1948-49	
Western Germany-Yugoslavia	April-September 1948, automatically renewable	
Western Germany-Bulgaria	October-December 1947, automatically renewable	
Western Germany-Poland	January-December 1949	
Turkey-Finland	June 1948-49	No quotas scheduled.
Turkey-Czechoslovakia	December 1946-Apr. 1, 1948, automatically renewable to Mar. 31, 1949	Do.
Turkey-Yugoslavia	September 1947-48	Do.
Turkey-Poland	August 1948-49	Do.
United Kingdom-Finland	January-December 1949	
U. K.-Czechoslovakia	November 1945	Payments only.
U. K.-Hungary	August 1948-49	
U. K.-Yugoslavia	October 1948-49	
U. K.-Poland	January 1949-53, annual quotas	Investment agreement; not all goods have annual quotas.
U. K.-U. S. S. R	December 1947-51; U. S. S. R. deliveries February-September 1948; U. K. deliveries 1948-51.	Investment agreement.
Total (83).		

3. Most recent commercial agreements between OEEC countries and Spain:

Partners	Period	Special provisions
France-Spain	May 1948-49 revised November 1948	
Netherlands-Spain	November 1948-May 1949	
Sweden-Spain	July 1948-49	
Denmark-Spain	March 1948-49	
Switzerland-Spain	December 1947-48, prolonged to Mar. 31, 1949	
Italy-Spain	July 1948-49	
Bizone-Spain	January-December 1949	
United Kingdom-Spain	June 1948-April 1949 revised December	No quotas.
Ireland-Spain	September 1947-48	
Total (9).		

4. Most recent commercial agreements between countries of eastern Europe:

Partners	Period	Special provisions
Finland-Czechoslovakia	October 1948-49	
Finland-Hungary	October 1948-Dec. 31, 1951 (annual quotas)	
Finland-Yugoslavia	October 1948-49	
Finland-Bulgaria	October 1948-51 (annual quotas)	
Finland-Poland	February-Dec. 31, 1949; suppl. December 1948	
Finland-U. S. S. R.	January-December 1949	
Finland-Soviet zone, Germany	October 1948-49	
Czechoslovakia-Hungary	November 1948-Dec. 31, 1949	November 1948-53, agreement in framework.
Czechoslovakia-Rumania	January-December 1949	
Czechoslovakia-Yugoslavia	October 1947-Dec. 31, 1948	Investment agreement, February 1947-Dec. 31, 1951.
Czechoslovakia-Bulgaria	April-Dec. 31, 1948	Investment agreement, April 1947-51.
Czechoslovakia-Poland	July 1948-Dec. 31, 1949	Investment agreement, July 1947-52.
Czechoslovakia-U. S. S. R.	January-December 1949	Investment agreement.
Czechoslovakia-Soviet zone, Germany	July 1948-49	January 1948-52.
Hungary-Rumania	June 1948-49 suppl. September 1948	Investment features.
Hungary-Yugoslavia	July 1947-51; revised March 1948; annual quotas	Investment agreement.
Hungary-Bulgaria	September 1948-49	
Hungary-Poland	October 1948-Dec. 31, 1949	
Hungary-U. S. S. R.	August 1948-Dec. 31, 1949	Investment agreement 1950-54; Hungarian deliveries.
Hungary-Soviet zone, Germany	August 1947-49, July 1948 deal	
Rumania-Yugoslavia	April 1948-49	June 1948, industrial agreement.
Rumania-Bulgaria	May 1948-49	
Rumania-Poland	January-December 1949	September 1948-53, investment agreement outlined.
Rumania-U. S. S. R.	do	Investment features.
Yugoslavia-Bulgaria	January-December 1948	
Yugoslavia-Albania	June 1947-48	
Yugoslavia-Poland	January-December 1949	May 1947-52, investment agreement.
Yugoslavia-U. S. S. R.	do	Previous agreement had investment features.
Bulgaria-Albania	August 1948-December 31, 1949	
Bulgaria-Poland	September 1948-49	May 1948-53, economic collaboration.
Bulgaria-U. S. S. R.	January-December 1949	
Bulgaria-Soviet zone, Austria	December 1948—?	
Bulgaria-Soviet zone, Germany	September 1948-49	
Albania-U. S. S. R.	August-December 1948	
Poland-Albania	January-December 1949	
Poland-U. S. S. R.	do	1948-53, investment agreement for Soviet capital goods.
Poland-Soviet zone, Germany	February 1948-49; supplement September 1948	
Total (37).		

5. Agreements between continental European countries and countries outside Europe:
(a) OEEC countries with the Middle and Far East:

Partners	Period	Special provisions
France-Egypt	June 10, 1948-49(?)	Payments agreement, no quotas.
Sweden-Japan	January-December 1949	No quotas.
Sweden-Australia	May 1, 1948-49	
Switzerland-Egypt	Sept. 27, 1948-Apr. 30, 1949	
Italy-Egypt	August 1948-49(?)	
Western Germany-Egypt	October 1948-49	
Total (6).		

(b) Eastern Europe with the Middle and Far East:

Partners	Period	Special provisions
Czechoslovakia-Pakistan	October 1948-49	
Hungary-Palestine (now with Israel) (?)	March 1947-June 30, 1948, automatically renewable	No quotas.
Yugoslavia-Egypt	June 1947-48	
Yugoslavia-India	July 1948-(?)	Payments agreement.
(Yugoslavia-Pakistan)	(January 1949)	(Draft trade pact.)
Poland-Egypt	September 1947-March 1948; renewed (?)	
U. S. S. R.-Egypt	March 1948-49	Barter agreement: Egyptian cotton versus Soviet grain.
(U. S. S. R.-Iran)	(No quotas established for March 1948-49 under existing agreement)	
U. S. S. R.-Afghanistan	October 1947-(?)	
(U. S. S. R.-China)	(Repayment of 1938-39 loans by 1948-52 deliveries of Chinese goods)	
Total (7).		

(c) OEEC countries with Latin America:

Partners	Period	Special provisions
France-Argentina	July 1947-52	
(France-Chile)	(Dec. 15, 1948)	(Modus vivendi.)
France-Uruguay	September 1946, indefinite term	Payments agreement.
Belgium-Argentina	May 1946-48, automatically renewable	Quotas for some products only.
Belgium-Brazil	May 1946; denounced May 1948	Limited clearing arrangement retained.
Belgium-Chile	July 1948-49	Provisional agreement.
Netherlands-Argentina	March 1948-53	Investment agreement.

(c) OEEC countries with Latin America—Continued

Partners	Period	Special provisions
Netherlands-Brazil	September 1948, valid indefinitely	No quotas.
Netherlands-Uruguay	November 1948–49	Do.
Sweden-Argentina	December 1948–49	Do.
Sweden-Colombia	Nov. 1, 1948–Dec. 31, 1949	
Denmark-Argentina	December 1948–53 (annual quotas)	
Switzerland-Argentina	January 1947–52, revised September 1948	Quotas for Argentine products only.
Italy-Argentina	October 1947–51 (annual quotas)	Argentine credit to Italy.
Italy-Uruguay	July 1948 revision of February-December 1947 agreement	Payments agreement, no quotas.
Western Germany-Uruguay	October 1948–49	Quotas for Uruguayan exports only.
Total (15).		

(d) Between countries of eastern Europe and Latin America:

Partners	Period	Special provisions
Finland-Argentina	July 1948–49	Argentine credit.
Czechoslovakia-Argentina	July 1947–51, revised June and November 1948 (annual quotas)	
Czechoslovakia-Brazil	March 1948–49	
(Czechoslovakia-Chile)	(May 1947, valid indefinitely)	(Not yet ratified.)
(Czechoslovakia-Uruguay)	(January 1947 protocol)	(Payments; not yet ratified.)
Czechoslovakia-Venezuela	November 1947 protocol	No quotas.
Czechoslovakia-Mexico	August 1947, indefinite	Payments agreement.
Hungary-Argentina	July 1948–52 revised term December 1948 (annual quotas)	
Rumania-Argentina	October 1947–July 31, 1950 (annual quotas for Argentine goods)	Argentine credit.
Yugoslavia-Argentina	June 1948–Dec. 31, 1951 (annual quotas)	
Yugoslavia-Uruguay	July 1948–?	Payments agreement.
Poland-Argentina	January 1949–December 1951 (annual quotas)	
Total (10).		

(e) Spain with Latin America:

Partners	Period	Special provisions
Spain-Argentina	October 1946–51, revised April 1948	Argentine loan to Spain; some quotas.
Spain-Bolivia	Feb. 28, 1948–51	
Total (2).		

C. UNITED KINGDOM BILATERAL AGREEMENTS

The principal bilateral agreements in force between the United Kingdom and other countries as of February 21, 1949, are shown on the following lists. They may be generally divided into three classes: (1) Monetary agreements; (2) short-term bilateral trade agreements; and (3) agreements for the bulk purchase of food products by the United Kingdom.

1. Monetary agreements: The monetary agreements, generally speaking, contain the following undertakings:

(a) Subject to provisions for review, a fixed rate of exchange is established between the pound sterling and the currency of each of the other contracting governments.

(b) Each of the parties undertakes to furnish its own currency against the currency of the other party, thus providing the latter with what is, in effect a line of credit for current transactions. Net balances accumulated through the operation of this provision are limited. When the specified amount of the net balance has been reached, further sales of currency are to be paid for in gold.

(c) The United Kingdom undertakes to permit the use of sterling at the disposal of residents of the other countries for payments not only in the United Kingdom but in any other part of the sterling area as well, and for transfers to other residents of the respective countries. A reciprocal undertaking is given by the other party. The contracting governments agree that as opportunity offers they will attempt to make balances held by residents of the other contracting country available for payments to residents of third countries.

(d) The parties agree to cooperate to prevent transfers between their areas which do not serve direct and useful economic or commercial purposes.

(e) There is provision for review in the event that the contracting governments adhere to a general international monetary agreement.

2. Short-term bilateral trade agreements: Short term bilateral trade agreements have assumed increasing importance and to an increasing extent are being integrated with financial agreements. They are an indispensable short-term expedient to obtain essential imports and to reduce the critical drain of dollars and gold reserves from the United Kingdom and sterling area. The principal objective is to secure as many imports of essential goods as possible with the least possible expenditure of gold and dollars. Less essential imports are kept at a minimum. These agreements are based mainly on precisely balanced bilateral exchanges to avoid the risk of any deficits which might have to be met in hard currency. Therefore the quantities of goods involved are generally predetermined.

The short-run character of these agreements was emphasized by Mr. Harold Wilson, President of Britain's Board of Trade, when he stated that "the whole commercial position of this country has been built upon the supposition that trade would be multilateral and that we should not have to bother whether our trade with each country exactly balanced. If we cannot reestablish that position in the long run, the outlook for us is very serious."

3. Bulk-purchase agreements: During the war the United Kingdom entered into a number of long-term contracts with various other governments for the purchase of large quantities of particular commodities, and since the war it has renewed some of these contracts and entered into additional ones. For example, in 1944 it concluded 4-year contracts with New Zealand and Australia for the purchase of meat and dairy products (the contracts for cheese and butter with New Zealand were later extended to 1950) and with Canada for the purchase of meat and cheese. After several years of extensive negotiations, a meat contract with Argentine was concluded in the fall of 1946. Also in 1946 the United Kingdom signed a 4-year purchase agreement with Canada for wheat, and with Denmark for bacon, eggs, and butter. In general these agreements provide for the purchase by the United Kingdom of exportable surpluses of specified minimum quantities, and for specified minimum prices with provisions for periodic review.

United Kingdom: Principal bilateral financial and economic agreements in force Feb. 21, 1949

I. MONETARY AND OTHER FINANCIAL AND ECONOMIC AGREEMENTS

Agreement with—	Date of signature	Nature of agreement [1]
Argentina	Feb 12, 1947	Financial, meat purchases, railroads, etc.
Belgium	Oct. 5, 1947; supplement	Monetary.
	Feb. 28, 1948	
	January 1949	Trade and payments.
Brazil	May 21, 1948	Do.
Canada	Mar. 6, 1946	Financial (extension of credit by Canada).
Czechoslovakia	Nov. 1, 1945	Monetary.
	Dec. 15, 1945	Credit.

[1] In general, agreements described as monetary agreements provide for fixed rates of exchange, for the sale of currencies up to certain specified limits, and for the use of sterling at the disposal of either party freely throughout the sterling area. Payments agreements provide for the channeling of all payments through special accounts, without fixing exchange rates or providing for sales of currencies by the respective central bank.

United Kingdom: Principal bilateral financial and economic agreements in force Feb. 21, 1949—Continued

I. MONETARY AND OTHER FINANCIAL AND ECONOMIC AGREEMENTS—continued

Agreement with—	Date of signature	Nature of agreement
Denmark	Dec. 6, 1945	Monetary.
	September 1948	Trade.
Egypt	Jan. 5, 1948	Trade and finance.
Eire	July 1948	Do.
Finland	July 1, 1947	Payments.
	January 1948	Trade.
France	Mar. 27, 1945; Apr. 29, 1946	Financial (extension of credit to France); payments and trade.
	Dec. 3, 1948	
Greece	Jan. 24, 1946	Financia land economic (extension of credit to Greece, etc.).
Hungary	August 1948	Trade.
Iceland	April 1948	Do.
Iran	May 26, 1942; supplement	Financial.
	Nov. 6, 1947	
Iraq	Aug. 13, 1947; supplement	Do.
	November 1948	
Italy	For year 1949	Trade.
Netherlands	Sept. 7, 1945; amended, September 1946	Monetary
	February 1948	Trade.
Norway	Nov. 8, 1945; supplement	Monetary.
	June 27, 1947	
Peru	Jan. 1, 1948, to Jan. 1, 1950	Trade and finance.
Poland	May 1947	Financial.
	December 1948	Trade.
Portugal	Apr. 16, 1946	Monetary.
	Jan. 9, 1948	Trade and finance.
Spain	Mar. 28, 1947	Monetary.
	Mar. 31, 1948	Trade and finance.
Sweden	Mar. 6, 1945; supplement	Monetary.
	Nov. 24, 1945	
	Dec. 15, 1948	Trade.
Switzerland	February 1948	Do.
	Mar. 12, 1946	Monetary.
Turkey	February 1948	Trade and finance.
U. S. S. R	Dec. 27, 1947	Financial and commercial.
United States	Dec. 6, 1945	Loan agreement.
Yugoslavia	Sept. 30, 1948	Trade.

II. AGREEMENTS OR CONTRACTS FOR THE PURCHASE OF FOOD PRODUCTS BY THE UNITED KINGDOM

Agreement with—	Duration (including contracts renewed)	Extended through—	Products covered
Australia	June 30, 1947, to June 30, 1949	June 30, 1953	Eggs.
	Oct. 1, 1944, to Sept. 30, 1948	Sept. 30, 1950	Meats.
	July 1, 1944, to June 30, 1948	June 30, 1955	Cheese, butter.
	Jan. 1, 1946, to Dec. 31, 1948	Dec. 31, 1953	Dried fruits.
Argentina	4 years from Oct. 1, 1946		Meats.
Canada	Dec. 1, 1943, through 1948 at least	1949	Meats (including bacon).
	4 years from Aug. 1, 1946	July 1950	Wheat.
	Apr. 1, 1944, to Mar. 31, 1947	1949	Cheese.
	Jan. 1, 1944, to Jan. 31, 1949		Eggs.
Denmark	Aug. 1, 1946, to Sept. 30, 1950		Bacon, butter, eggs.
New Zealand	Oct. 1, 1944, to Sept. 30, 1948	Oct. 1, 1955	Meats.
	Aug. 1, 1944, to July 31, 1950	July 31, 1955	Cheese.
	Aug. 1, 1944, to July 31, 1950	do	Butter.
Eire	1944-46	Jan. 31, 1951	Eggs.
Union of South Africa	1947-48	September 1950	Do.
Ceylon	July 1946 to Dec. 31, 1950		Oils and fats.
Kenya, Uganda, and Tanganyika	Until crop year 1951-52		Coffee.

Contracts are in force for the purchase of the exportable surplus of sugar from the following countries for 4 years from June 1946:

All parts of the British Empire.

Portuguese East Africa (Portuguese requirements excepted).

Haiti.

Fiji.

Mauritius.

D. BILATERAL AGREEMENTS BETWEEN LATIN-AMERICAN REPUBLICS

Following is a list of bilaterial agreements known to have been negotiated by Latin-American Republics in recent years:

Argentina-Sweden: Signed November 23, 1948.

Effective: December 1, 1948.

Duration: December 1, 1953.

Nature: (1) Each party agrees to facilitate the importation of the merchandise of other according to its needs and in value equivalent to purchases of its goods by the other party. (2) All payments to be made in Swedish crowns. (3) Overdraft of 50,000,000 crowns to be allowed either country. (4) Final settlement to be made in sterling.

Argentina-France: Signed July 23, 1947.

[Effective:]

Duration: 5 years.

Nature and commodities involved: Agreement provides that France buy from Argentina annually specified quantities of certain products provided that during each year the exportable surplus is not now below a specified amount. If France during 5-year period can buy products more cheaply elsewhere, it is free to do so. Products to be purchased by Government of France from IAPI. Agreement also lists goods to be sold by France to Argentina in minimum specified quantities.

Argentina-Belgium-Luxemburg: Signed May 14, 1946.

Effective: May 24, 1946. Provisionally, subject to ratification.

Duration: 1 year—financial agreement renewable for 1-year periods by tacit consent, unless abrogated by either party with 3 months' notice. 2 years—Commercial protocol renewable automatically for 1-year periods, unless denounced 3 months prior to date of expiration.

Nature and commodities involved: Financial agreement, exchange of notes regarding release of blocked assets, and a commercial protocol.

Financial: Purpose to provide Belgium with an operating credit with which to purchase Argentine goods until such time as Belgian exports reach point sufficient to establish an approximate balance in the payments between the two countries. Argentina to allow Belgium a maximum unfavorable operating balance of payments in Belgian francs equivalent to 110,000,000 Argentine pesos. Belgian franc established as means of payment between Argentina and Belgian franc area. Payments to be effected through special Belgian franc account known as Argentine Special Account to be opened in favor of Central Bank of Argentine Republic in the National Bank of Belgium. Central Bank will make use of Belgian franc credits in meeting current Argentine payments in Belgian franc area and will not demand liquidation of balance in its favor until franc balance exceeds equivalent of 110,000,000 Argentine pesos.

Blocked assets: Notes exchanged provide that both countries will unblock assets only upon presentation of a certificate issued by the other certifying to the absence of participation in the ownership of the assets on May 10, 1940.

Commercial protocol: Purpose to encourage a commercial interchange between contracting parties until it can be replaced by a commercial treaty. Argentina to facilitate, in

greatest measure possible, the granting of export permits for certain specified commodities, principally foodstuffs and animal products, for which Belgium will grant import permits. The quantities of these goods are not stipulated.

Argentina-Ecuador: Signed August 5, 1946.

Effective: August 5, 1946.

Duration: Three years.

Nature and commodities involved: Reciprocal purchase: Argentina to supply Ecuador with up to 10,000 tons of wheat of which up to 5,000 tons to be from 1945–46 crop at 35 pesos per quintal f. o. b. Buenos Aires; 50,000 head of cattle; 30,000 sheep; 10,000 pigs; 7,000 goats; 3,000 horses. Argentine Congress to be requested to exempt Ecuadoran toquilla straw hats from import duty. Ecuadoran fresh fruit to receive most-favored-nation treatment in Argentina.

Ecuador to supply Argentina, annually, up to 6,000 tons good quality rubber beginning January 1, 1947, at a price to be agreed upon for each transaction, but not less than $0.89 (U. S. currency) per kilo f. o. b. port of shipment. Ecuadoran Government to give preference to exports of natural rubber to Argentina, and will not grant for 3 years export permits for rubber to other countries until the Argentine Government has imported the quantity of 6,000 tons of natural rubber per year. Ecuador also to supply annually minimum of 200,000 tons petroleum, 10,000,000 square feet of balsa wood, and 20 tons cinchona bark. Ecuadoran Congress to be requested to reduce import duty on Argentine lard from 0.60 to 0.25 sucre per gross kilo. Argentine fresh fruit to receive most-favored-nation treatment in Ecuador.

Argentina-Egypt: Signed August 2, 1948.

Nature and commodities involved: Barter agreement providing for exchange of 30,000 tons of Egyptian rice for Argentine agricultural products.

Argentina-United Kingdom: Signed February 12, 1948.

Effective: Agreement to go into effect as soon as it is approved by the British and Argentine Governments.

Duration: One year.

Nature and commodities involved: Agreement provides for advance lump-sum payment of 10,000,000 pounds by the United Kingdom as a contribution to the increased cost of production of the goods to be purchased from Argentina. This in effect merely part of the purchase price. Rest of price approximately 100,000,000 pounds, and this sum Britain also pays in advance, receiving one-half of 1 percent interest. If British purchases of goods covered by the agreement have not amounted to 100,000,000 pounds by March 31, 1949, Argentina is to reimburse the United Kingdom for the unexpended balance. British purchases from Argentina to include 1,272,000 metric tons of corn, 400,000 long tons of frozen meat, and 20,000 long tons of canned meat. Britain to furnish Argentina petroleum products and coal.

Argentina-Spain: Signed October 30, 1946.

Effective: October 2, 1946.

Duration: October 2, 1946, to December 31, 1951.

Nature and commodities involved: Provides for reciprocal purchases: Argentine credits to Spain; preference to merchant marine for both parties in transportation of merchandise involved; and various other matters.

Argentina to supply Spain with 400,000 tons minimum of wheat in 1947 and 300,000 tons minimum in 1948; and with 120,000 tons of corn in 1947 and 100,000 tons in 1948; provided that the exportable surpluses of these items exceed stated figures. Argentina also to supply Spain with stipulated quantities of a number of other agricultural products during the period 1947–51, once its international commitments on these items are fully satisfied.

Either party may buy in other markets if the seller is unable to meet world prices, and imports and exports, insofar as Argentina is concerned, must be made through the Argentine Institute for the Promotion of Trade.

Argentina-Brazil: Signed November 29, 1946.

Effective: January 1, 1947.

Duration: 5 years.

Nature and commodities involved: Reciprocal purchases.

Argentina to supply Brazil:

Wheat: 1,200,000 tons annually if exportable surplus is not less than 2,600,000 tons; if it is less, Argentina will earmark 45 percent of the available surplus for Brazil. Price to be lowest applied to any third party during preceding month.

Wool: 5,000 metric tons annually.

Casein: 1,000 metric tons annually.

Brazil to supply Argentina:

Truck tires: 5,000 during 1946, 40,000 during 1947.

Automobile tires: 40,000 during 1947. Brazil will supply in 1948–51 such truck and automobile tires as Argentine industry cannot produce.

Crude rubber: 3,000 tons in last half of 1947, 5,000 tons annually in 1948–51.

Cotton piece goods: 60,000,000 meters in 1947, 80,000,000 meters in 1948, 100,000,000 annually in 1949–51.

And specified quantities of about a dozen other miscellaneous items.

For rubber, wheat, tires, and textiles, purchases of the specified amounts are not obligatory and offers from competitive sources can be considered. If price quotations from other sources are lower than those specified in the agreement, the other party must be given an opportunity to meet the lower price quotations. If the other party is unable or unwilling to meet them, purchaser is free to buy from the cheapest source.

Argentina-Chile: Signed December 13, 1946.

Duration: 5 years after ratification.

Nature and commodities involved: Provides for limited free trade between the two countries and for the financing by Argentina of industrial development and public-works construction in Chile.

I. Trade provisions: Reciprocal duty-free and tax-free entry of goods imported for consumption or industrialization. Such duty-free imports will be in amounts sufficient to complete requirements of either country, subject to exportable surpluses in the other country. Each Government will fix periodically the quantity of the respective products which can be imported within a fixed period of time.

Both countries will give preferential attention to the requirements of the other country as regards each one's exportable surpluses.

Each country shall prepare a list of products originating in the other which shall be excepted from the duty-free-provision, within 180 days from the day the agreement goes into effect.

II. Financial provisions: Argentina grants a 100,000,000-peso revolving credit to Chile, will invest 300,000,000 pesos in Chilean industries, and will grant a 300,000,000-peso loan to Chile for public-works construction. These funds to be provided by Argentine Institute for the Promotion of Trade.

An Argentine-Chilean Finance Association, to be established, will assist Chilean enterprises to increase Chile's exports to Argentina, especially of copper, iron, steel, nitrate, coal, wood, and electric power.

All materials, machinery, and implements used in public works and not produced in Chile shall be purchased from the Argentine Institute for the Promotion of Trade, except those which may be purchased more advantageously as to quality, terms, or prices, in other markets. (This is an escape clause.)

The agreement contains other provisions regarding communications, insurance, motion pictures, etc.

Argentina-Switzerland: Signed January 20, 1947.

Effective: January 20, 1947, provisionally, pending ratification.

Duration: To December 31, 1951.

Nature and commodities involved: Provides for reciprocal purchases, most favorable treatment possible with respect to duties, taxes, and administrative procedure in connection with the interchange of products, and various other matters. Applies also to Principality of Liechtenstein by virtue of customs union treaty with Switzerland.

Argentina to supply Switzerland with specified quantities of wheat, corn, barley, oats, and rye, 1947–51.

In addition, once internal demand is satisfied, and existing commitments to other countries met, Argentina will endeavor, whenever possible, to furnish Switzerland with unspecified amounts of meat, butter, lard, tallow, millet, birdseed, wheat flour for fodder, bran, fine bran, bristle, and castor oil.

Switzerland to extend every facility for Argentina to acquire Swiss products, especially industrial machinery and parts; textile machinery, motors, including hydraulic, wind-driven, gas, and internal-combustion engines; steam boilers; electrical and telecommunication devices; chemicals and pharmaceutical products.

For wheat, corn, barley, oats, and rye, if Switzerland finds other sources of supply with lower prices than those quoted by the Argentine Institute for Trade Promotion, the institute should be given an opportunity to meet these lower prices. Should it be unable to do so, Switzerland may acquire the products from another source, the quantity thus purchased being deducted from the quota specified in the agreement.

Argentina-Bolivia: Signed March 8, 1947.

Effective: Upon ratification.

Duration: Five years.

Nature and commodities involved: Similar to Argentine-Chilean agreement, but Argentine credits, investments, and loans are less. Provides for limited free trade and for financing by Argentina of industrial development and public-works construction in Bolivia. However, unlike Chilean agreement, Argentine-Bolivian agreement contains a protocol providing for exchange of specified products, including Bolivian minerals and other raw materials, and Argentine foodstuffs, wool, cotton, etc. Bolivia to supply Argentina with annual quantities of tin as available over and above other Bolivian international commitments.

Brazil-United Kingdom: Signed May 21, 1948.

Nature and commodities involved: Trade and payments agreement. United Kingdom undertakes to ship to Brazil during 1948 certain quantities of specified products, including petroleum, locomotives, machinery, and iron and steel manufactures, in exchange for specified amounts of Brazilian cotton, hides, coffee, and other foodstuffs and raw materials. All operations between Brazil and scheduled area A (formerly sterling area A) will be liquidated in sterling but Brazil withdraws from the transferable account area.

Brazil-Czechoslovakia: Signed October 16, 1946.

Effective: November 15, 1946.

Duration: Two years, after expiration of which continues in effect subject to denunciation at any time by either party with 6 months' notice.

Nature and commodities involved: Most-favored-nation treaty, financial arrangement providing credits to Czechoslovakia, and protocol for interchange of merchandise between two countries.

The commercial treaty provides for reciprocal most-favored-nation treatment with respect to commerce and maritime navigation.

In the financial agreement Brazil grants a $20,000,000 (United States currency) credit to Czechoslovakia for the purchase of Brazilian products, and the repayment of the credit utilized at the rate of 20 percent annually beginning January 1, 1952. The agreement also provides for the regulation of methods of payment between the two countries, and releases Czechoslovak blocked credits in Brazil amounting to approximately $500,000 (United States currency).

The protocol deals with the interchange of merchandise between the two countries and contains two lists of products, specified quantities of which will be exported by each country to the other over a 2-year period.

Brazil-Chile: Signed December 27, 1946.

Effective December 27, 1946.

Duration: 6 years. If not denounced 3 months prior to expiration date, agreement will remain in effect for an unlimited time, each party reserving right to denounce at any time thereafter for its termination 1 year later.

Nature and commodities involved: Brazil to sell and Chile to buy 20,000,000 lineal meters cotton textiles annually, providing equality of prices between Brazilian textiles and those of similar quality offered by other sources. Better offers received by Chilean importers must be communicated to Brazil, which within 5 days must reply as to whether Brazilian exporters can compete. If cannot compete or no reply received, Chile can effect purchases in other market. Preferential treatment in customs, exchange or other matter existing in Chile now or in future to be extended Brazilian textiles so that they will not be less favored than similar textiles from other countries.

Brazil-Paraguay: Signed January 16, 1947.

Effective January 16, 1947.

Duration: 6 years. If not denounced 3 months prior to expiration, will remain in effect for indefinite period, each reserving right to denounce for termination 1 year later.

Nature and commodities involved: Brazil to sell, Paraguay to buy 10,000,000 meters cotton textiles annually so long as Brazilian prices not higher than those of other countries. If Paraguayan importers receive better offers, said offers must be communicated to Brazil which will advise as to whether Brazilian exporters can compete.

Chile-Belgium: Signed March 26, 1946.

Nature and commodities involved: Memorandum of agreement recommending projects of a provisional commercial convention, a commercial agreement, and a protocol covering payments. Proposed commercial convention provides for reciprocal general most-favored-nations customs treatment.

Commercial agreements provide for granting of all necessary facilities for increasing trade and especially intensifying commerce in certain products. Lists of Chilean and Belgian-Luxemburg products were to be drawn up by a mixed commission within 90 days after the signing of the agreement.

The draft protocol provides that payments relating to the interchange of merchandise between the two countries shall be made in United States currency or in any other currency expressly agreed upon.

Honduras-Nicaragua: Effective July 8, 1946.

Duration: Further notice.

Nature and commodities involved: Nicaragua grants duty-free entry for rosin and turpentine; Honduras grants duty-free entry to sesame oil and cottonseed oil.

Uruguay-Belgium-Luxemburg: Signed June 14, 1946.

Effective: June 14, 1946, provisionally, subject to ratification. Uruguay ratified October 23, 1946.

Duration: 3 years.

Nature and commodities involved: This commercial agreement, prompted by the desire and the respective Governments to resume and increase the exchange of their goods with each other, provides that import and export permits and authorizations for the corresponding exchange will be issued with the greatest facility possible for certain listed products up to a specified value or quantity.

Another provision of the agreement states that in case either country establishes import or export quotas for individual countries on certain products, each is bound to give the other an equitable part of the quota. This share of the quota cannot be less than the prewar part of the trade each received in the particular commodities. Any portion of a quota established for a limited period and not filled before the period expires will be added to the quota for the following period, except when it is decided to the contrary by mutual agreement. Quotas given to a third country must include sales made by private agreement whether in the form of barter or other agreement.

Both Governments agree to cancel all provisions of previous agreements dealing with the balancing of trade between Uruguay and Belgium.

Chile-Peru: Signed February 6, 1947.

Effective: Not yet ratified.

Nature and commodities involved: Agreement on cultural, tourist, and commercial relations based on unratified agreement of April 4, 1946. Commercial provisions reportedly include reciprocal tariff concessions.

Colombia-Canada: Signed February 20, 1946.

Effective: 30 days after exchange of ratifications.

Duration: 2 years with automatic renewal for 1 year unless terminated.

Nature and commodities involved: Reciprocal trade agreement providing most-favored-nation treatment; nondiscriminatory procedures to govern customs regulations, control foreign exchange, quantitative quotas, etc. (Excepts Empire agreements.)

Colombia-Sweden: Signed November 6, 1948.

Effective: November 1, 1948.

Duration: December 31, 1949.

Nature and commodities involved: Trade and payments agreement covering exchange of Colombian coffee and bananas (3,920,000 pesos value) for "essential" requirements of Colombia.

Mexico-Canada: Signed February 8, 1946.

Effective: February 8, 1946 (provisionally).

Duration: 2 years.

Nature and commodities involved: Provides for most-favored-nation treatment, no specified products involved.

Mexico-Costa Rica: Signed February 4, 1946.

Nature and commodities involved: Provides for most-favored-nation treatment, no specified products involved.

Mexico-Guatemala: Signed October 12, 1948.

Duration: 2 years.

Nature and commodities involved: Most-favored-nation treatment, no specified products involved.

Nicaragua-Honduras: Effective July 8, 1946.

Nature and commodities involved: Exempts from Nicaraguan customs duties imports of Honduran rosin and turpentine; Honduras exempted Nicaraguan sesame and cottonseed oils from duties.

E. BILATERAL AGREEMENTS IN THE FAR, MIDDLE, AND NEAR EAST

Bilateral trade agreements in the Far East

Few trade agreements of the type in question are known to exist in the Far East, with the exception of the network of trade and payments agreements concluded by SCAP with other countries.

Japanese trade agreements: During 1948 the Supreme Commander for the Allied Powers concluded on behalf of Japan a series of trade agreements, most of them to be effective through June or December of 1949. Targets of the expected volume of trade, both as to value and as to types and quantities of commodities to be exchanged are estimated in these agreements. In general, an effort is made to balance the amount of trade between Japan and the signatory nations, although provisions for periodic settling of balances in acceptable currencies are written in. The most important of these is known as the Sterling Agreement, signed in November with the British, to which several members of the Commonwealth adhered (United Kingdom and colonies (except Hong Kong), Australia, New Zealand, India, South Africa. all members of the sterling area are eligible to join). In addition, agreements were signed with Sweden, the French Union, Egypt, the Netherlands and Indonesia, and Siam. Under the terms of the larger sterling agreement, Pakistan and Burma have signed separate agreements. There remains an open account understanding with China, under which China is expected to make up certain amounts of goods still undelivered to Japan in return for Japanese goods that went forward to China nearly 2 years ago. Within the framework of all of these agreements, provision has been made for the passage of goods under private trade auspices as well as under government.

In addition to its open account arrangement with SCAP described above, the Chinese Government is understood to be still shipping Chinese commodities to the Union of Soviet Socialist Republics in fulfillment of commitments undertaken in barter agreements entered into with the Soviet Government in 1938–39. The terms of these agreements are confidential.

A supplementary financial agreement between China and Canada was signed on May 28, 1947, supplementing a previous signed agreement under which Canada extended credits to China.

Bilateral agreements in the Middle and Near East

Because of the continuing dollar shortage facing the countries of the Near and Middle East and their difficulty in finding markets for their exportable surpluses, they have had to resort to the use of bilateral agreements. Turkey, Egypt, and Israel, the most important trading countries, have negotiated a number of such agreements during the past year; the other countries in the area have been less active. The principal hindrance to American trade with most of the countries of the area, is the lack of dollar earning power and difficulty in converting their local currency and other foreign exchange into dollars.

Turkey, since the conclusion of World War II, has been the most active of the near eastern countries in concluding bilateral agreements. In the early part of this period the agreements providing for trade on a free foreign exchange basis followed the country's policy of renouncing bilateral trade in favor of more liberal commercial transactions. With the growing dollar problem, intensified by the postponement of sterling convertibil-

ity and difficulty in finding markets for its goods, Turkey felt obliged to modify this liberal policy and to conclude agreements providing for clearing accounts and in some cases for mutual credits and lists of goods constituting the trade exchange goal. The most recent agreements concluded by Turkey provide for ERP drawing rights as incorporated in the Intra-European Payments and Compensation Agreement. It is believed that Turkey's objective is still the development on multilateral trading as soon as world conditions make it possible.

Egypt has also negotiated several bilateral agreements, clearing as well as barter, and is considering others, particularly in order to insure markets for cotton which has traditionally provided more than 70 percent of the country's revenue from exports.

Barter agreements and imports against deferred payment have been important factors in the foreign trade of the new state of Israel. Agreements of this kind have been concluded recently with Holland, Sweden, Hungary, Czechoslovakia, Yugoslavia, and Poland. In general, they provide for the supply by Israel of citrus fruits and other products against delivery of essential commodities such as foodstuffs, chemicals, and industrial equipment. In several of the agreements provision is made for the employment of Jewish blocked funds in the countries concerned for the importation of goods into Israel.

Since the war, Egypt and Iraq have concluded yearly financial agreements with the United Kingdom which limit the amount of hard currency, primarily dollars, which can be purchased with sterling. These agreements have made it possible for these countries to spend more dollars than they were currently earning but have the effect of requiring them to spend hard currency for goods not available in easy currency areas. A somewhat similar situation existed until recently in Syria and Lebanon where dollars in excess of the amounts earned were made available by France. This is no longer the case under a new monetary agreement between Lebanon and France which established an independent Lebanese currency outside of the franc bloc. A somewhat similar agreement has been negotiated between Syria and France but has not yet been ratified.

Principal bilateral agreements in force in the Near and Middle Eastern areas February 1, 1949

Turkey-Belgium: Effective from December 1948.

Provision for ERP drawing rights in Turkey's favor. Further details not yet available.

Turkey-Czechoslovakia: Effective from December 15, 1946, until March 31, 1949.

No lists of commodities. Clearing accounts established for effecting payment between two countries. Mutual credit ceilings also established.

Turkey-Denmark: Effective from January 1, 1949, for 15 months but renewable for 1-year periods.

No lists of commodities. Clearing account, expressed in dollars, established for effecting payments between the two countries. Mutual credit ceilings also established with provision for ERP drawing rights in Denmark's favor.

Turkey-Finland: Effective from June 20, 1948, for 1 year, but renewable for 1-year periods.

No lists of commodities. Clearing accounts, expressed in dollars, established for effecting payments between two countries. Mutual credit ceilings also established.

Turkey-France: Effective from September 21, 1946, for 1 year but renewable for 1-year periods.

No lists of commodities. Clearing account, established for effecting payments between two countries. Credit ceiling established by Turkey in favor of France. A modus vivendi exchanged at the same time allows for certain exceptions to most-favored-nation treatment.

Turkey-German trizone: Effective from January 1, 1949, to June 30, 1949, but renewable for 1-year periods.

Provides for issuance of import and export permits within limits of the quantities of goods on which the two contracting parties have agreed. Clearing account, expressed in dollars, established for effecting payments between two contracting parties. Mutual credit ceilings also established with provision for ERP drawing rights in favor of the trizone.

Turkey-Italy: Effective from November 15, 1948, until June 30, 1949, but renewable for 1-year periods.

Provides for the issuance of import and export permits within the limits of the quantities of goods on which the two countries have agreed. Clearing account, expressed in dollars, established for effecting payments between two countries. Mutual credit ceilings established with provision for ERP drawing rights in Turkey's favor.

Turkey-Poland: Effective from August 1, 1948, for 1 year but renewable for 1-year periods.

Lists of commodities but no quantities indicated. Clearing accounts, expressed in dollars, established for effecting payments between two countries. Mutual credit ceilings also established.

Turkey-Sweden: Effective from June 15, 1948, for 1 year but renewable for 1-year periods.

No commodity quotas nor global values established. Private compensation transactions permitted. Clearing account, expressed in Swedish crowns, established for effecting payments between the two countries.

Turkey-Switzerland: Effective from October 1, 1945, until August 21, 1946, but renewable for 1-year periods.

Establishes clearing accounts for effecting payments between the two countries. This agreement replaces an earlier compensation agreement.

Turkey-United Kingdom: Effective from May 21, 1945, until April 30, 1946, but renewable for 1-year periods.

All payments between the two countries to be made in sterling through Turkish accounts held by Turkish Central Bank in the Bank of England. Recent provision made for ERP drawing rights in Turkey's favor.

Turkey-Yugoslavia: Effective from October 20, 1947, for 1 year but renewable for 1-year periods,

No lists of commodities. Payment on the basis of free foreign exchange.

Egypt-France: Effective from June 9, 1948, for 1 year but renewable for 1-year periods.

No lists of commodities. Clearing accounts established for effecting payments between Egypt and the Franc zone. Mutual credit ceilings also established.

Egypt-USSR: Barter agreement dated March 3, 1948, provides for exchange of 216,000 metric tons of wheat and 19,000 metric tons of corn by Russia for 38,000 metric tons of cotton.

Egypt-Switzerland: Effective from September 1, 1948, until May 1, 1949.

Established export quotas for certain essential Swiss products as well as Egyptian import quotas for certain Swiss products previously excluded as being nonessential.

Egypt-United Kingdom: Effective through 1948. (New agreement now being negotiated.) $25,000,000 in dollars allocated to Egypt and £35,000,000 released from blocked to current sterling account. Egypt to maintain import-export licensing system for trade with hard-currency areas.

Iran-Saudi Arabia: Provides for payment to Saudi Arabia of tolls for Iranian pilgrims to Mecca. Eighty percent of the toll of 45 pounds sterling per pilgrim to be paid in merchandise, chiefly textiles and rice. Date and exact terms unknown.

Iraq-United Kingdom: Effective from June 30, 1948, until June 30, 1949. The equivalent of $22,000,000 allotted to Iraq in hard currencies. Provides that Iraq shall maintain an export-import licensing system for trade with the hard-currency area.

THE GENERAL AGREEMENT ON TARIFFS AND TRADE AND PARALLEL PROVISIONS OF THE HABANA CHARTER FOR AN INTERNATIONAL TRADE ORGANIZATION

There follows a comparison between the complete text of the General Agreement on Tariffs and Trade (GATT) (showing amendments in force for the United States as from January 1, 1949) and the identical or similar portions of the text of the Habana Charter for an International Trade Organization (ITO).

GATT is being applied provisionally by the 23 countries which negotiated it, in accordance with the protocol or provisional application of the agreement which provides that part II of the agreement (arts. III to XXIII, inclusive) shall be applied to the fullest extent not inconsistent with existing legislation. Under the protocol any government is free to withdraw its provisional application on the expiration of 60 days from the day on which written notice of such withdrawal is received by the Secretary-General of the United Nations. The Charter for the International Trade Organization is not in effect.

In the comparison which follows, the complete text of the GATT is shown, but only parallel provisions of the ITO Charter are reproduced opposite the GATT provisions. The ITO Charter contains also the following chapters and articles not corresponding to any provisions of GATT and not shown in the comparison below:

Chapter I. Purpose and objectives, one article.

Chapter II. Employment and economic activity, six articles.

Chapter III. Economic development and reconstruction, six articles in addition to articles 13 and 14, reproduced herein.

Chapter V. Restrictive business practices, nine articles.

Chapter VII. The International Trade Organization, 20 articles in addition to article 21, reproduced herein.

Chapter IX. General provisions, two articles in addition to those shown.

Annex E. List of Portuguese territories referred to in paragraph 2 (b) of article 16.

Annex H. List of territories covered by preferential arrangements among Colombia, Ecuador, and Venezuela referred to in paragraph 2 (e) of article 16.

Annex I. List of territories covered by preferential arrangements among the republics of Central America referred to in paragraph 2 (e) of article 16.

Annex J. List of territories covered by preferential arrangements between Argentina and neighboring countries referred to in paragraph 2 (e) of article 16.

Annex L. Relating to article 78.

NOTE.—In the following comparison, the provisions of annex I of GATT and relevant portions of annex P of the ITO Charter are shown following the articles to which the provisions relate.

GENERAL AGREEMENT ON TARIFFS AND TRADE

The Governments of the Commonwealth of Australia, the Kingdom of Belgium, the United States of Brazil, Burma, Canada, Ceylon, the Republic of Chile, the Republic of China, the Republic of Cuba, the Czechoslovak Republic, the French Republic, India, Lebanon, the Grand Duchy of Luxemburg, the Kingdom of the Netherlands, New Zealand, the Kingdom of Norway, Pakistan, Southern Rhodesia, Syria, the Union of South Africa, the United Kingdom of Great Britain and Northern Ireland, and the United States of America:

Recognizing that their relations in the field of trade and economic endeavor should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods;

Being desirous of contributing to these objectives by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce;

Have through their representatives agreed as follows:

PART I

ARTICLE I. GENERAL MOST-FAVORED-NATION TREATMENT

1. With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters referred to in paragraphs 1 and 2 of article III, any advantage, favor, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.

2. The provisions of paragraph 1 of this article shall not require the elimination of any preferences in respect of import duties or charges which do not exceed the levels provided for in paragraph 3 of this article and which fall within the following descriptions:

(a) preferences in force exclusively between two or more of the territories listed in annex A, subject to the conditions set forth therein;

(b) preferences in force exclusively between two or more territories which on July 1, 1939, were connected by common sovereignty or relations of protection or suzerainty and which are listed in annexes B, C, and D, subject to the conditions set forth therein;

(c) preferences in force exclusively between the United States of America and the Republic of Cuba;

(d) preferences in force exclusively between neighboring countries listed in annexes E and F.

3. The margin of preference on any product in respect of which a preference is permitted under paragraph 2 of this article but is not specifically set forth as a maximum margin of preference in the appropriate schedule annexed to this agreement shall not exceed

(a) in respect of duties or charges on any product described in such schedule, the difference between the most-favored-nation and preferential rates provided for therein; if no preferential rate is provided for, the

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ARTICLE 16. GENERAL MOST-FAVORED-NATION TREATMENT

1. With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters within the scope of paragraphs 2 and 4 of article 18, any advantage, favor, privilege or immunity granted by any member to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for all other member countries.

2. The provisions of paragraph 1 shall not require the elimination, except as provided in article 17, of any preferences in respect of import duties or charges which do not exceed the margins provided for in paragraph 4 and which fall within the following descriptions:

(a) preferences in force exclusively between two or more of the territories listed in annex A, subject to the conditions set therein;

(b) preferences in force exclusively between two or more territories which on July 1, 1939, were connected by common sovereignty or relations of protection or suzerainty and which are listed in annexes B, C, D, and E;

(c) preferences in force exclusively between the United States of America and the Republic of Cuba;

(d) preferences in force exclusively between the Republic of the Philippines and the United States of America, including the dependent territories of the latter;

(e) preferences in force exclusively between neighboring countries listed in annexes F, G, H, I, and J.

3. The provisions of paragraph 1 shall not apply to preferences between the countries formerly a part of the Ottoman Empire and detached from it on July 24, 1923, provided such preferences fulfil the applicable requirements of article 15.

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preferential rate shall for the purposes of this paragraph be taken to be that in force on April 10, 1947, and, if no most-favored-nation rate is provided for, the margin shall not exceed the difference between the most-favored-nation and preferential rates existing on April 10, 1947;

(b) in respect of duties or charges on any product not described in the appropriate Schedule, the difference between the most-favored-nation and preferential rates existing on April 10, 1947.

In the case of the contracting parties named in annex G, the date of April 10, 1947, referred to in subparagraphs (a) and (b) of this paragraph shall be replaced by the respective dates set forth in that annex.

AD ARTICLE I

Paragraph 1

The obligations incorporated in paragraph 1 of article I by reference to paragraphs 1 and 2 of article III and those incorporated in paragraph 2 (b) of article II by reference to article VI shall be considered as falling within part II for the purposes of the protocol of provisional application.

Paragraph 3

The term "margin of preference" means the absolute difference between the most-favored-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples:

1. If the most-favored-nation rate were 36 percent ad valorem and the preferential rate were 24 percent ad valorem, the margin of preference would be 0.50 franc per kilogram, and not one-third of the most-favored-nation rate;

2. If the most-favored-nation rate were 36 percent ad valorem and the preferential rate were expressed as two-thirds of the most-favored-nation rate, the margin of preference would be 12 percent ad valorem;

3. If the most-favored-nation rate were 2 francs per kilogram and the preferential rate were 1.50 francs per kilogram, the margin of preference would be 0.50 francs per kilogram.

The following kinds of customs action, taken in accordance with established uniform procedures, would not be contrary to a general binding of margins of preference:

(i) the reapplication to an imported product of a tariff classification or rate of duty, properly applicable to such product, in cases in which the application of such classification or rate to such product was temporarily suspended or inoperative on April 10, 1947; and

(ii) the classification of a particular product under a tariff item other than that under which importations of that product were classified on April 10, 1947, in cases in which the tariff law clearly contemplates that such

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4. The margin of preference on any product in respect of which a preference is permitted under paragraph 2 shall not exceed (a) the maximum margin provided for under the general agreement on tariffs and trade or any subsequent operative agreement resulting from negotiations under article 17, or (b) if not provided for under such agreements, the margin existing either on April 10, 1947, or on any earlier date established for a member as a basis for negotiating the general agreement on tariffs and trade, at the option of such member.

5. The imposition of a margin of tariff preference not in excess of the amount necessary to compensate for the elimination of a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories in respect of which preferential import duties or charges are permitted under paragraph 2, shall not be deemed to be contrary to the provisions of this article, it being understood that any such margin of tariff preference shall be subject to the provisions of article 17.

AD ARTICLE 16

Note 1.—The term "margin of preference" means the absolute difference between the most-favored-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples:

1. If the most-favored-nation rate were 36 percent ad valorem and the preferential rate were 24 percent ad valorem, the margin of preference would be 12 percent ad valorem, and not one-third of the most-favored-nation rate.

2. If the most-favored-nation rate were 36 percent ad valorem and the preferential rate were expressed as two-thirds of the most-favored-nation rate, the margin of preference would be 12 percent ad valorem.

3. If the most-favored-nation rate were 2 francs per kilogram and the preferential rate 1.50 francs per kilogram, the margin of preference would be 0.50 franc per kilogram.

Note 2.—The following kinds of customs action, taken in accordance with established uniform procedures, would not be contrary to the binding of margins of preference under paragraph 4:

(i) the reapplication to an imported product of a tariff classification or rate of duty, properly applicable to such product, in cases in which the application of such classification or rate to such product was temporarily suspended or inoperative on April 10, 1947; and

(ii) the classification of a particular product under a tariff item other than that under which importations of that product were classified on April 10, 1947, in cases in which the tariff law clearly contemplates that such

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product may be classified under more than one tariff item.

ARTICLE II. SCHEDULES OF CONCESSIONS

1. (a) Each contracting party shall accord to the commerce of the other contracting parties treatment no less favorable than that provided for in the appropriate part of the appropriate schedule annexed to this agreement.

(b) The products described in part I of the schedule relating to any contracting party, which are the products of territories of other contracting parties, shall, on their importation into the territory to which the schedule relates, and subject to the terms, conditions or qualifications set forth in that schedule, be exempt from ordinary customs duties in excess of those set forth and provided for therein. Such products shall also be exempt from all other duties or charges of any kind imposed on or in connection with importation in excess of those imposed on the date of this agreement or those directly and mandatorily required to be imposed thereafter by legislation in force in the importing territory on that date.

(c) The products described in part II of the schedule relating to any contracting party, which are the products of territories entitled under article I to receive preferential treatment upon importation into the territory to which the schedule relates, shall, on their importation into such territory, and subject to the terms, conditions or qualifications set forth in that schedule, be exempt from ordinary customs duties in excess of those set forth and provided for in part II of that schedule. Such products shall also be exempt from all other duties or charges of any kind imposed on or in connection with importation in excess of those imposed on the date of this agreement or those directly and mandatorily required to be imposed thereafter by legislation in force in the importing territory on that date. Nothing in this article shall prevent any contracting party from maintaining its requirements existing on the date of this agreement as to the eligibility of goods for entry at preferential rates of duty.

2. Nothing in this article shall prevent any contracting party from imposing at any time on the importation of any product.

(a) a charge equivalent to an internal tax imposed consistently with the provisions of paragraph 1 of article III in respect of the like domestic product or in respect of an article from which the imported product has been manufactured or produced in whole or in part;

(b) any antidumping or countervailing duty applied consistently with the provisions of article VI;

(c) fees or other charges commensurate with the cost of services rendered.

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product may be classified under more than one tariff item.

ARTICLE 17. REDUCTION OF TARIFFS AND ELIMINATION OF PREFERENCES

(For balance of article see opposite article XXV of GATT)

1. Each member shall, upon the request of any other member or members, and subject to procedural arrangements established by the Organization, enter into and carry out with such other member or members negotiations directed to the substantial reduction of the general levels of tariffs and other charges on imports and exports, and to the elimination of the preferences referred to in paragraph 2 of article 16, on a reciprocal and mutually advantageous basis.

2. The negotiations provided for in paragraph 1 shall proceed in accordance with the following rules:

(a) Such negotiations shall be conducted on a selective product-by-product basis which will afford adequate opportunity to take into account the needs of individual countries and individual industries. Members shall be free not to grant concessions on particular products and, in the granting of a concession, they may reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level.

(b) No member shall be required to grant unilateral concessions, or to grant concessions to other members without receiving adequate concessions in return. Account shall be taken of the value to any member of obtaining in its own right and by direct obligation the indirect concessions which it would otherwise enjoy only by virtue of article 16.

(c) In negotiations relating to any specific product with respect to which a preference applies.

(i) when a reduction is negotiated only in the most-favored-nation rate, such reduction shall operate automatically to reduce or eliminate the margin of preference applicable to that product;

(ii) when a reduction is negotiated only in the preferential rate, the most-favored-nation rate shall automatically be reduced to the extent of such reduction;

(iii) when it is agreed that reductions will be negotiated in both the most-favored-nation rate and the preferential rate, the re-

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3. No contracting party shall alter its method of determining dutiable value or of converting currencies so as to impair the value of any of the concessions provided for in the appropriate schedule annexed to this agreement.

4. If any contracting party establishes, maintains or authorizes, formally or in effect, a monopoly of the importation of any product described in the appropriate schedule annexed to this agreement, such monopoly shall not, except as provided for in that schedule or as otherwise agreed between the parties which initially negotiated the concession, operate so as to afford protection on the average in excess of the amount of protection provided for in that schedule. The provisions of this paragraph shall not limit the use by contracting parties of any form of assistance to domestic producers permitted by other provisions of this agreement.

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duction in each shall be that agreed by the parties to the negotiations;

(iv) no margin of preference shall be increased.

(d) The binding against increase of low duties or of duty-free treatment shall in principle be recognized as a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

(e) Prior international obligations shall not be invoked to frustrate the requirement under paragraph 1 to negotiate with respect to preferences, it being understood that agreements which result from such negotiations and which conflict with such obligations shall not require the modification or termination of such obligations except (i) with the consent of the parties to such obligations, or, in the absence of such consent, (ii) by modification or termination of such obligations in accordance with their terms.

3. The negotiations leading to the General Agreement on Tariffs and Trade, concluded at Geneva on October 30, 1947, shall be deemed to be negotiations pursuant to this article. The concessions agreed upon as a result of all other negotiations completed by a member pursuant to this article shall be incorporated in the general agreement on terms to be agreed with the parties thereto. If any member enters into any agreement relating to tariffs or preferences which is not concluded pursuant to this article, the negotiations leading to such agreement shall nevertheless conform to the requirements of paragraph 2 (c).

AD ARTICLE 17

(From annex P)

An internal tax (other than a general tax uniformity applicable to a considerable number of products) which is applied to a product not produced domestically in substantial quantities shall be treated as a customs duty under article 17 in any case in which a tariff concession on the product would not be of substantial value unless accompanied by a binding or a reduction of the tax.

Paragraph 2 (d)

In the event of the devaluation of a member's currency, or of a rise in prices, the effects of such devaluation or rise in prices would be a matter for consideration during negotiations in order to determine, first, the change, if any, in the protective incidence of the specific duties of the member concerned and, secondly, whether the binding of such specific duties represents in fact a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

ARTICLE 31

(For balance of article and interpretative note see opposite of article XVII of GATT)

4. The import duty negotiated under paragraph 2, or made public or notified to the Organization under paragraph 3, shall represent the maximum margin by which the price charged by the import monopoly for the imported product (exclusive of internal taxes conforming to the provisions of article 18, transportation, distribution and other expenses incident to the purchase, sale or further processing, and a reasonable margin of profit) may exceed the landed cost: *Provided*, That regard may be had to average landed costs and selling prices over recent periods: *And provided further*, That, where the product concerned is a primary commodity which is the subject of a domestic price stabilization arrangement, provision may be made for adjustment to take account of wide fluctuations or variations in world prices, subject where a maximum duty has been negotiated to agreement between the countries parties to the negotiations.

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5. If any contracting party considers that a product is not receiving from another contracting party the treatment which the first contracting party believes to have been contemplated by a concession provided for in the appropriate schedule annexed to this agreement, it shall bring the matter directly to the attention of the other contracting party. If the latter agrees that the treatment contemplated was that claimed by the first contracting party, but declares that such treatment cannot be accorded because a court or other proper authority has ruled to the effect that the product involved cannot be classified under the tariff laws of such contracting party so as to permit the treatment contemplated with this agreement, the two contracting parties, together with any other contracting parties substantially interested, shall enter promptly into further negotiations with a view to a compensatory adjustment of the matter.

6. (a) The specific duties and charges included in the schedules relating to contracting parties members of the International Monetary Fund, and margins of preference in specific duties and charges maintained by such contracting parties, are expressed in the appropriate currency at the par value accepted or provisionally recognized by the Fund at the date of this agreement. Accordingly, in case this par value is reduced consistently with the Articles of Agreement of the International Monetary Fund by more than 20 percent, such specific duties and charges and margins of preference may be adjusted to take account of such reduction: *Provided*, That the contracting parties (i. e., the contracting parties acting jointly as provided for in article XXV) concur that such adjustments will not impair the value of the concessions provided for in the appropriate schedule or elsewhere in this agreement, due account being taken of all factors which may influence the need for, or urgency of, such adjustments.

(*b*) Similar provisions shall apply to any contracting party not a member of the fund, as from the date on which such contracting party becomes a member of the fund or enters into a special exchange agreement in pursuance of article XV.

7. The schedules annexed to this agreement are hereby made an integral part of part I of this agreement.

AD ARTICLE II

(From annex I)

Paragraph 2 (b)

See the note relating to paragraph 1 of article I.

Paragraph 4

Except where otherwise specifically agreed between the contracting parties which initially negotiated the concession, the provisions of this paragraph will be applied in the light of the provisions of article 31 of the Draft Charter referred to in article XXIX of this agreement.

ARTICLE III. NATIONAL TREATMENT ON INTERNAL TAXATION AND REGULATION

1. The contracting parties recognize that internal taxes and other internal charges, and laws, regulations, and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution, or use of products, and internal quantitative regulations requiring the mixture, processing, or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.

2. The products of the territory of any contracting party imported into the territory of any other contracting party shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. Moreover, no contracting party shall otherwise apply internal

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ARTICLE 18. NATIONAL TREATMENT ON INTERNAL TAXATION AND REGULATION

1. The members recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution, or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.

2. The products of any member country imported into any other member country shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. Moreover, no member shall otherwise apply internal taxes or other internal charges to

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taxes or other internal charges to imported or domestic products in a manner contrary to the principles set forth in paragraph 1.

3. With respect to any existing internal tax which is inconsistent with the provisions of paragraph 2 but which is specifically authorized under a trade agreement, in force on 10 April 1947, in which the import duty on the taxed product is bound against increase, the contracting party imposing the tax shall be free to postpone the application of the provisions of paragraph 2 to such tax until such time as it can obtain release from the obligations of such trade agreement in order to permit the increase of such duty to the extent necessary to compensate for the elimination of the protective element of the tax.

4. The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favorable than that accorded to like products of national origin in respect of all laws, regulations, and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution, or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the products.

5. No contracting party shall establish or maintain any internal quantitative regulation relating to the mixture, processing, or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources. Moreover, no contracting party shall otherwise apply internal quantitative regulations in a manner contrary to the principles set forth in paragraph 1.

6. The provisions of paragraph 5 shall not apply to any internal quantitative regulation in force in the territory of any contracting party on July 1, 1939, April 10, 1947, or March 24, 1948, at the option of that contracting party; provided that any such regulation which is contrary to the provisions of paragraph 5 shall not be modified to the detriment of imports and shall be treated as a customs duty for the purpose of negotiation.

7. No internal quantitative regulation relating to the mixture, processing, or use of products in specified amounts or proportions shall be applied in such a manner as to allocate any such amount or proportion among external sources of supply.

8. (a) The provisions of this article shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

(b) The provisions of this article shall not prevent the payment of subsidies exclusively to domestic producers, including payments to domestic producers derived from the proceeds of internal taxes or charges applied consistently with the provisions of this article and subsidies effected through governmental purchases of domestic products.

9. The contracting parties recognize that internal maximum price control measures, even though conforming to the other provisions of this article, can have effects prejudicial to the interests of contracting parties supplying imported products. Accordingly, contracting parties applying such measures shall take account of the interests of exporting contracting parties with a view to avoiding to the fullest practicable extent such prejudicial effects.

10. The provisions of this article shall not prevent any contracting part from establishing or maintaining internal quantitative reg-

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imported or domestic products in a manner contrary to the principles set forth in paragraph 1.

3. With respect to any existing internal tax which is inconsistent with the provisions of paragraph 2 but which is specifically authorized under a trade agreement, in force on April 10, 1947, in which the import duty on the taxed product is bound against increase, the member imposing the tax chall be free to postpone the application of the provisions of paragraph 2 to such tax until such time as it can obtain release from the obligations of such trade agreement in order to permit the increase of such duty to the extent necessary to compensate for the elimination of the protective element of the tax.

4. The products of any member country imported into any other member country shall be accorded treatment no less favorable than that accorded to like products of national origin in respect of all laws, regulations, and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution, or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product.

5. No member shall establish or maintain any internal quantitative regulation relating to the mixture, processing, or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources. Moreover, no member shall otherwise apply internal quantitative regulations in a manner contrary to the principles set forth in paragraph 1.

6. The provisions of paragraph 5 shall not apply to any internal quantitative regulation in force in any member country on July 1, 1939, April 10, 1947, or on the date of this charter, at the option of that member: *Provided*, That any such regulation which is contrary to the provisions of paragraph 5 shall not be modified to the detriment of imports and shall be subject to negotiation and shall accordingly be treated as a customs duty for the purposes of article 17.

7. No internal quantitative regulation relating to the mixture, processing, or use of products in specified amounts or proportions shall be applied in such a manner as to allocate any such amount of proportion among external sources of supply.

8. (a) The provisions of this article shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

(b) The provisions of this article shall not prevent the payment of subsidies exclusively to domestic producers, including payments to domestic producers derived from the procers of internal taxes or charges applied consistently with the provisions of this article and subsidies effected through governmental purchases of domestic products.

9. The members recognize that internal maximum price control measures, even though conforming to the other provisions of this article, can have effects prejudicial to the interests of member countries supplying imported products. Accordingly, members applying such measures shall take account of the interests of exporting member countries with a view to avoiding to the fullest practicable extent such prejudicial effects.

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ulations relating to exposed cinematograph films and meeting the requirements of article IV.

AD ARTICLE III

(From annex I)

ny internal tax or other internal charge, or any law, regulation, or requirement of the kind referred to in paragraph 1 which applies to an imported product and to the like domestic product and is collected or enforced in the case of the imported product at the time or point of importation, is nevertheless to be regarded as an internal tax or other internal charge, or a law, regulation, or requirement of the kind referred to in paragraph 1, and is accordingly subject to the provisions of article III.

Paragraph 1

The application of paragraph 1 to internal taxes imposed by local governments and authorities within the territory of a contracting party is subject to the provisions of the final paragraph of article XXIV. The term "reasonable measures" in the last-mentioned paragraph would not require, for example, the repeal of existing national legislation authorizing local governments to impose internal taxes which, although technically inconsistent with the letter of article III are not in fact inconsistent with its spirit, if such repeal would result in a serious financial hardship for the local governments or authorities concerned. With regard to taxation by local governments or authorities which is inconsistent with both the letter and spirit of article III, the term "reasonable measures" would permit a contracting party to eliminate the inconsistent taxation gradually over a transition period, if abrupt action would create serious administrative and financial difficulties.

Paragraph 2

A tax conforming to the requirements of the first sentence of paragraph 2 would be considered to be inconsistent with the provisions of the second sentence only in cases where competition was involved between, on the one hand, the taxed product, and on the other hand, a directly competitive or substitutable product which was not similarly taxed.

Paragraph 5

Regulations consistent with the provisions of the first sentence of paragraph 5 shall not be considered to be contrary to the provisions of the second sentence in any case in which all of the products subject to the regulations are produced domestically in substantial quantities. A regulation cannot be justified as being consistent with the provisions of the second sentence on the ground that the proportion or amount allocated to each of the products which are the subject of the regulation constitutes an equitable relationship between imported and domestic products.

ARTICLE IV. SPECIAL PROVISIONS RELATING TO CINEMATOGRAPH FILMS

If any contracting party establishes or maintains internal quantitative regulations relating to exposed cinematograph films, such regulations shall take the form of screen quotas which shall conform to the following requirements:

(a) Screen quotas may require the exhibition of cinematograph films of national origin during a specified minimum proportion of the total screen time actually utilized, over a specified period of not less than 1 year, in the commercial exhibition of all films of whatever origin, and shall be computed on the basis of screen time per theater per year or the equivalent thereof;

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AD ARTICLE 18

(From annex P)

Any internal tax or other internal charge, or any law, regulation, or requirement of the kind referred to in paragraph 1 which applies to an imported product and to the like domestic product and is collected to enforced in the case of the imported product at the time or point of importation, is nevertheless to be regarded as an internal tax or other internal charge, or a law, regulation, or requirement of the kind referred to in paragraph 1, and is accordingly subject to the provisions of article 18.

Paragraph 1

The application of paragraph 1 to internal taxes imposed by local governments and authorities within the territory of a member is subject to the provisions of paragraph 3 of article 104. The term "reasonable measures" in the last-mentioned paragraph would not require, for example, the repeal of existing national legislation authorizing local governments to impose internal taxes which, although technically inconsistent with the letter of article 18, are not in fact inconsistent with its spirit, if such repeal would result in a serious financial hardship for the local governments or authorities concerned. With regard to taxation by local governments or authorities which is inconsistent with both the letter and spirit of article 18, the term "reasonable measures" would permit a member to eliminate the inconsistent taxation gradually over a transition period, if abrupt action would create serious administrative and financial difficulties.

Paragraph 2

A tax conforming to the requirements of the first sentence of paragraph 2 would be considered to be inconsistent with the provisions of the second sentence only in cases where competition was involved between, on the one hand, the taxed product, and on the other hand, a directly competitive or substitutable product which was not similarly taxed.

Paragraph 5

Regulations consistent with the provisions of the first sentence of paragraph 5 shall not be considered to be contrary to the provisions of the second sentence in any case in which all of the products subject to the regulations are produced domestically in substantial quantities. A regulation cannot be justified as being consistent with the provisions of the second sentence on the ground that the proportion or amount allocated to each of the products which are the subject of the regulation constitutes an equitable relationship between imported and domestic products.

ARTICLE 19. SPECIAL PROVISIONS RELATING TO CINEMATOGRAPH FILMS

The provisions of article 18 shall not prevent any member from establishing or maintaining internal quantitative regulations relating to exposed cinematograph films. Any such regulations shall take the form of screen quotas which shall conform to the following conditions and requirements:

(a) Screen quotas may require the exhibition of cinematograph films of national origin during a specified minimum proportion of the total screen time actually utilized over a specified period of not less than 1 year, in the commercial exhibition of all films of whatever origin, and shall be computed on the basis of screen time per theater per year or the equivalent thereof.

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(b) with the exception of screen time reserved for films of national origin under a screen quota, screen time, including that released by administrative action from screen time reserved for films of national origin, shall not be allocated formally or in effect among sources of supply;

(c) notwithstanding the provisions of subparagraph (b) of this article, any contracting party may maintain screen quotas conforming to the requirements of subparagraph (a) of this article which reserve a minimum proportion of screen time for films of a specified origin other than that of the contracting party imposing such screen quotas: *Provided*, That no such minimum proportion of screen time shall be increased above the level in effect on April 10, 1947;

(d) screen quotas shall be subject to negotiation for their limitation, liberalization or elimination.

ARTICLE V. FREEDOM OF TRANSIT

1. Goods (including baggage), and also vessels and other means of transport, shall be deemed to be in transit across the territory of a contracting party when the passage across such territory, with or without transshipment, warehousing, breaking bulk, or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the contracting party across whose territory the traffic passes. Traffic of this nature is termed in this article "traffic in transit."

2. There shall be freedom of transit through the territory of each contracting party, via the routes most convenient for international transit, for traffic in transit to or from the territory of other contracting parties. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.

3. Any contracting party may require that traffic in transit through its territory be entered at the proper customhouse, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to the territory of other contracting parties shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit, except charges for transportation or those commensurate with administrative expenses entailed by transit or with the cost of services rendered.

4. All charges and regulations imposed by contracting parties on traffic in transit to or from the territories of other contracting parties shall be reasonable, having regard to the conditions of the traffic.

5. With respect to all charges, regulations, and formalities in connection with transit, each contracting party shall accord to traffic in transit to or from the territory of any other contracting party treatment no less favorable than the treatment accorded to traffic in transit to or from any third country.

6. Each contracting party shall accord to products which have been in transit through the territory of any other contracting party treatment no less favorable than that which would have been accorded to such products had they been transported from their place of origin to their destination without going through the territory of such other contracting party. Any contracting party shall, however, be free to maintain its requirements of direct consignment existing on the date of this agreement, in respect of any goods in regard to which such direct consignment is a requisite condition of eligibility for entry of the goods at preferential rates of duty or has relation to the contracting party's pre-

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(b) With the exception of screen time reserved for films of national origin under a screen quota, screen time, including screen time released by administrative action from time reserved for films of national origin, shall not be allocated formally or in effect among sources of supply.

(c) Notwithstanding the provisions of subparagraph (b) and member may maintain screen quotas conforming to the requirements of subparagraph (a) which reserve a minimum proportion of screen time for films of a specified origin other than that of the member imposing such screen quotas: *Provided,* That such minimum proportion of screen time shall not be increased above the level in effect on April 10, 1947.

(d) Screen quotas shall be subject to negotiation and shall accordingly be treated as customs duties for the purposes of article 17.

ARTICLE 33. FREEDOM OF TRANSIT

1. Goods (including baggage), and also vessels and other means of transport, shall be deemed to be in transit across the territory of a member country, when the passage across such territory, with or without transshipment, warehousing, breaking bulk or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the member country across whose territory the traffic passes. Traffic of this nature is termed in this article "traffic in transit."

2. There shall be freedom of transit through each member country, via the routes most convenient for international transit, for traffic in transit to or from other member countries. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.

3. Any member may require that traffic in transit through its territory be entered at the proper customhouse, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to other member countries shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit, except charges commensurate with administrative expenses entailed by transit or with the cost of services rendered.

4. All charges and regulations imposed by members on traffic in transit to or from other member countries shall be reasonable, having regard to the conditions of the traffic.

5. With respect to all charges, regulations and formalities in connection with transit, each member shall accord to traffic in transit to or from any other member country treatment no less favorable than the treatment accorded to traffic in transit to or from any third country.

6. The Organization may undertake studies, make recommendations and promote international agreement relating to the simplification of customs regulations concerning traffic in transit, the equitable use of facilities required for such transit and other measures designed to promote the objectives of this article. Members shall cooperate with each other directly and through the Organization to this end.

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scribed method of valuation for duty purposes.

7. The provisions of this article shall not apply to the operation of aircraft in transit, but shall apply to air transit of goods (including baggage).

AD ARTICLE V

(From annex I)

Paragraph 5

With regard to transportation charges, the principle laid down in paragraph 5 refers to like products being transported on the same route under like conditions.

ARTICLE VI—ANTIDUMPING AND COUNTERVAILING DUTIES

1. The contracting parties recognize that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in the territory of a contracting party or materially retards the establishment of a domestic industry. For the purposes of this article, a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another

(a) Is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or,

(b) In the absence of such domestic price, is less than either

(i) The highest comparable price for the like product for export to any third country in the ordinary course of trade, or

(ii) The cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit.

Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. In order to offset or prevent dumping, a contracting party may levy on any dumped

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7. Each member shall accord to goods which have been in transit through any other member country treatment no less favorable than that which would have been accorded to such goods had they been transported from their place of origin to their destination without going through such other member country. Any member shall, however, be free to maintain its requirements of direct consignment existing on the date of this charter, in respect of any goods in regard to which such direct consignment is a requisite condition of eligibility for entry of the goods at preferential rates of duty or has relation to the members' prescribed method of valuation for customs purposes.

8. The provisions of this article shall not apply to the operation of aircraft in transit, but shall apply to air transit of goods (including baggage).

AD ARTICLE 33

(From annex P)

Paragraph 1

The assembly of vehicles and mobile machinery arriving in a knocked-down condition or the disassembly (or disassembly and subsequent reassembly) of bulky articles shall not be held to render the passage of such goods outside the scope of "traffic in transit," provided that any such operation is undertaken solely for convenience of transport.

Paragraphs 3, 4, and 5

The word "charges" as used in the English text of paragraphs 3, 4, and 5 shall not be deemed to include transportation charges.

Paragraph 6

If, as a result of negotiations in accordance with paragraph 6, a member grants to a country which has no direct access to the sea more ample facilities than those already provided for in other paragraphs of article 33, such special facilities may be limited to the land-locked country concerned unless the Organization finds, on the complaint of any other member, that the withholding of the special facilities from the complaining member contravenes the most-favored-nation provisions of this charter.

ARTICLE 34. ANTIDUMPING AND COUNTERVAILING DUTIES

1. The members recognize that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in a member country or materially retards the establishment of a domestic industry. For the purposes of this article, a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another

(a) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or

(b) in the absence of such domestic price, is less than either

(i) the highest comparable price for the like product for export to any third country in the ordinary course of trade, or

(ii) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit.

Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. In order to offset or prevent dumping, a member may levy on any dumped product

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product an antidumping duty not greater in amount than the margin of dumping in respect of such product. For the purposes of this article, the margin of dumping is the price difference determined in accordance with the provisions of paragraph 1.

3. No countervailing duty shall be levied on any product of the territory of any contracting party imported into the territory of another contracting party in excess of an amount equal to the estimated bounty or subsidy determined to have been granted, directly or indirectly, on the manufacture, production, or export of such product in the country of origin or exportation, including any special subsidy to the transportation of a particular product. The term "countervailing duty" shall be understood to mean a special duty levied for the purpose of offsetting any bounty or subsidy bestowed, directly or indirectly, upon the manufacture, production, or export of any merchandise.

4. No product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to antidumping or countervailing duty by reason of the exemption of such product from duties or taxes borne by the like product when destined for consumption in the country of origin or exportation or by reason of the refund of such duties or taxes.

5. No product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization.

6. No contracting party shall levy any antidumping or countervailing duty on the importation of any product of the territory of another contracting party unless it determines that the effect of the dumping or subsidization, as the case may be, is such as to cause or threaten material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry. The contracting parties may waive the requirements of this paragraph so as to permit a contracting party to levy an antidumping or countervailing duty on the importation of any product for the purpose of offsetting dumping or subsidization which causes or threatens material injury to an industry in the territory of another contracting party exporting the product concerned to the territory of the importing contracting party.

7. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be presumed not to result in material injury within the meaning of paragraph 6 if it is determined by consultation among the contracting parties substantially interested in the commodity concerned that:

(a) The system has also resulted in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market, and

(b) The system is so operated, either because of the effective regulation of production, or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other contracting parties.

AD ARTICLE VI

(From annex I)

Paragraph 1

Hidden dumping by associated houses (that is, the sale by an importer at a price below that corresponding to the price invoiced by an exporter with whom the importer is associated, and also below the price

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an antidumping duty not greater in amount than the margin of dumping in respect of such product. For the purposes of this article, the margin of dumping is the price difference determined in accordance with the provisions of paragraph 1.

3. No countervailing duty shall be levied on any product of any member country imported into another member country in excess of an amount equal to the estimated bounty or subsidy determined to have been granted, directly or indirectly, on the manufacture, production, or export of such product in the country of origin or exportation, including any special subsidy to the transportation of a particular product. The term "countervailing duty" shall be understood to mean a special duty levied for the purpose of offsetting any bounty or subsidy bestowed, directly or indirectly, upon the manufacture, production, or export of any merchandise.

4. No product of any member country imported into any other member country shall be subject to antidumping or countervailing duty by reason of the exemption of such product from duties or taxes borne by the like product when destined for consumption in the country of origin or exportation or by reason of the refund of such duties or taxes.

5. No product of any member country imported into any other member country shall be subject to both antidumping and countervailing duties to compensate for the same situation of dumping or export subsidization.

6. No member shall levy any antidumping or countervailing duty on the importation of any product of another member country unless it determines that the effect of the dumping or subsidization, as the case may be, is such as to cause or threaten material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry. The organization may waive the requirements of this paragraph so as to permit a member to levy an antidumping or countervailing duty on the importation of any product for the purpose of offsetting dumping or subsidization which causes or threatens material injury to an industry in another member country exporting the product concerned to the importing member country.

7. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be presumed not to result in material injury within the meaning of paragraph 6 if it is determined by consultation among the members substantially interested in the commodity concerned that:

(a) the system has also resulted in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market, and

(b) the system is so operated, either because of the effective regulation of production or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other members.

AD ARTICLE 34

(From annex P)

Paragraph 1

Hidden dumping by associated houses (that is, the sale by an importer at a price below that corresponding to the price invoiced by an exporter with whom the importer is associated, and also below the price in the ex-

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in the exporting country) constitutes a form of price dumping with respect to which the margin of dumping may be calculated on the basis of the price at which the goods are resold by the importer.

Paragraphs 2 and 3

NOTE 1.—As in many other cases in customs administration, a contracting party may require reasonable security (bond or cash deposit) for the payment of antidumping or countervailing duty pending final determination of the facts in any case of suspected dumping or subsidization.

NOTE 2.—Multiple currency practices can in certain circumstances constitute a subsidy to exports which may be met by countervailing duties under paragraph 3 or can constitute a form of dumping by means of a partial depreciation of a country's currency which may be met by action under paragraph 2. By "multiple currency practices" is meant practices by governments or sanctioned by governments.

ARTICLE VII. VALUATION FOR CUSTOMS PURPOSES

1. The contracting parties recognize the validity of the general principles of valuation set forth in the following paragraphs of this article, and they undertake to give effect to such principles in respect of all products subject to duties or other charges or restrictions on importation and exportation based upon or regulated in any manner by value, at the earliest practicable date. Moreover, they shall, upon a request by another contracting party, review the operation of any of their laws or regulations relating to value for customs purposes in the light of these principles. The contracting parties may request from contracting parties reports on steps taken by them in pursuance of the provisions of this article.

2. (a) The value for customs purposes of imported merchandise should be based on the actual value of the imported merhcandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(b) "Actual value" should be the price at which, at a time and place determined by the legislation of the country of importation, and in the ordinary course of trade, such or like merchandise is sold or offered for sale under fully competitive conditions. To the extent to which the price of such or like merchandise is governed by the quantity in a particular transaction, the price to be considered should uniformly be related to either (i) comparable quantities, or (ii) quantities not less favorable to importers than those in which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation.

(c) When the actual value is not ascertainable in accordance with subparagraph (b) of this paragraph, the value for customs purposes should be based on the nearest ascertainable equivalent of such value.

3. The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund.

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porting country) constitutes a form of price dumping with respect to which the margin of dumping may be calculated on the basis of the price at which the goods are resold by the importer.

Paragraphs 2 and 3

NOTE 1.—As in many other cases in customs administration, a member may require reasonable security (bond or cash deposit) for the payment of antidumping or countervailing duty pending final determination of the facts in any case of suspected dumping or subsidization.

NOTE 2.—Multiply currency practices can in certain circumstances constitute a subsidy to exports which may be met by countervailing duties under paragraph 3 or can constitute a form of dumping by means of a partial depreciation of a country's currency which may be met by action under paragraph 2. By "multiple currency practices" is meant practices by governments or sanctioned by governments.

ARTICLE 35. VALUATION FOR CUSTOMS PURPOSES

1. The members shall work toward the standardization, as far as practicable, of definitions of value and of procedures for determining the value of products subject to customs duties or other charges or restrictions based upon or regulated in any manner by value. With a view to furthering cooperation to this end, the Organization may study and recommend to members such bases and methods for determining value for customs purposes as would appear best suited to the needs of commerce and most capable of general adoption.

2. The members recognize the validity of the general principles of valuation set forth in paragraphs 3, 4, and 5, and they undertake to give effect, at the earliest practicable date, to these principles in respect of all products subject to duties or other charges or restrictions on importation based upon or regulated in any manner by value. Moreover, they shall, upon a request by another member directly affected, review in the light of these principles the operation of any of their laws or regulations relating to value for customs purposes. The Organization may request from members reports on steps taken by them in pursuance of the provisions of this article.

3. (a) The value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(b) "Actual value" should be the price at which, at a time and place determined by the legislation of the country of importation, and in the ordinary course of trade, such or like merchandise is sold or offered for sale under fully competitive conditions. To the extent to which the price of such or like merchandise is governed by the quantity in a particular transaction, the price to be considered should uniformly be related to either (i) comparable quantities, or (ii) quantities not less favorable to importers than those in

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4. (a) Except as otherwise provided for in this paragraph, where it is necessary for the purposes of paragraph 2 of this article for a contracting party to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved as established pursuant to the Articles of Agreement of the International Monetary Fund or by special exchange agreements entered into pursuant to article XV of this agreement.

5. The bases and methods for determining the value of products subject to duties or other charges or restrictions based upon or regulated in any manner by value should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value for customs purposes.

(b) Where no such par value has been established, the conversion rate shall reflect effectively the current value of such currency in commercial transactions.

(c) The contracting parties, in agreement with the International Monetary Fund, shall formulate rules governing the conversion by contracting parties of any foreign currency in respect of which multiple rates of exchange are maintained consistently with the Articles of Agreement of the International Monetary Fund. Any contracting party may apply such rules in respect of such foreign currencies for the purposes of paragraph 2 of this article as an alternative to the use of par values. Until such rules are adopted by the contracting parties, any contracting party may employ, in respect of any such foreign currency, rules of conversion for the purposes of paragraph 2 of this article which are designed to reflect effectively the value of such foreign currency in commercial transactions.

(d) Nothing in this paragraph shall be construed to require any contracting party to alter the method of converting currencies for customs purposes which is applicable in its territory on the date of this agreement, if such alteration would have the effect of increasing generally the amounts of duty payable.

AD ARTICLE VII

(From annex I)

Paragraph 1

Consideration was given to the desirability of replacing the words "at the earliest practicable date" by a definite date or, alternatively, by a provision for a specified limited period to be fixed later. It was appreciated that it would not be possible for all contracting parties to give effect to these principles by a fixed time, but it was nevertheless un-

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which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation.

(c) When the actual value is not ascertainable in accordance with subparagraph (b), the value for customs purposes should be based on the nearest ascertainable equivalent of such value.

4. The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund.

5. (a) Except as otherwise provided in this paragraph, where it is necessary for the purposes of paragraph 3 for a member to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved, as established pursuant to the Articles of Agreement of the International Monetary Fund or by special exchange agreements entered into pursuant to article 24 of this charter.

(b) Where no such par value has been established, the conversion rate shall reflect effectively the current value of such currency in commercial transactions.

(c) The Organization, in agreement with the International Monetary Fund, shall formulate rules governing the conversion by members of any foreign currency in respect of which multiple rates of exchange are maintained consistently with the Articles of Agreement of the International Monetary Fund. Any member may apply such rules in respect of such foreign currencies for the purposes of paragragh 3 of this article as an alternative to the use of par values. Until such rules are adopted by the Organization, any member may employ, in respect of any such foreign currency, rules of conversion for the purposes of paragraph 3 of this article which are designed to reflect effectively the value of such foreign currency in commercial transactions.

6. Nothing in this article shall be construed to require any member to alter the method of converting currencies for customs purposes which is applicable in its territory on the date of this charter, if such alteration would have the effect of increasing generally the amounts of duty payable.

7. The bases and methods for determining the value of products subject to duties or other charges or restrictions based on or regulated in any manner by value should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value for customs purposes.

AD ARTICLE 35

(From annex P)

Paragraph 3

NOTE 1.—It would be in conformity with article 35 to presume that "actual value" may be represented by the invoice price (or in the case of government contracts in respect of primary products, the contract price), plus any nonincluded charges for legitimate costs which are proper elements of "actual value" and plus any abnormal dis-

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derstood that a majority of the contracting parties would give effect to them at the time the agreement enters into force.

Paragraph 2

It would be in conformity with article VII to presume that "actual value" may be represented by the invoice price, plus any non-included charges for legitimate costs which are proper elements of "actual value" and plus any abnormal discount or other reduction from the ordinary competitive price.

It would be in conformity with article VII, paragraph 2 (b), for a contracting party to construe the phrase "in the ordinary course of trade," read in conjunction with "under fully competitive conditions," as excluding any transaction wherein the buyer and seller are not independent of each other and price is not the sole consideration.

The prescribed standard of "fully competitive conditions" permits contracting parties to exclude from consideration distributors' prices which involve special discounts limited to exclusive agents.

The wording of subparagraphs (a) and (b) permits a contracting party to assess duty uniformly either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

ARTICLE VIII. FORMALITIES CONNECTED WITH IMPORTATION AND EXPORTATION

1. The contracting parties recognize that fees and charges, other than duties, imposed by governmental authorities on or in connection with importation or exportation, should be limited in amount to the approximate cost of services rendered and should not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes. The contracting parties also recognize the need for reducing the number and diversity of such fees and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements.

2. The contracting parties shall take action in accordance with the principles and objectives of paragraph 1 of this article at the earliest practicable date. Moreover, they shall, upon request by another contracting party, review the operation of any of their laws and regulations in the light of these principles.

3. No contracting party shall impose substantial penalties for minor breaches of customs regulations or procedural requirements. In particular, no penalty in respect of any omission or mistake in customs documentation which is easily rectifiable and obviously made without fraudulent intent or gross

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count, or any reduction from the ordinary competitive price.

NOTE 2.—If on the date of this charter a member has in force a system under which ad valorem duties are levied on the basis of fixed values, the provisions of paragraph 3 of article 35 shall not apply:

1. In the case of values not subject to periodical revision in regard to a particular product, as long as the value established for that product remains unchanged;

2. In the case of values subject to periodical revision, on condition that the revision is based on the average "actual value" established by reference to an immediately preceding period of not more than 12 months and that such revision is made at any time at the request of the parties concerned or of members. The revision shall apply to the importation or importations in respect of which the specific request for revision was made, and the revised value so established shall remain in force pending further revision.

NOTE 3.—It would be in conformity with paragraph 3 (b) for a member to construe the phrase "in the ordinary course of trade," read in conjunction with "under fully competitive conditions," as excluding any transaction wherein the buyer and seller are not independent of each other and price is not the sole consideration.

NOTE 4.—The prescribed standard of "fully competitive conditions" permits members to exclude from consideration distributors' prices which involve special discounts limited to exclusive agents.

NOTE 5.—The wording of subparagraphs (a) and (b) permits a member to assess duty uniformly either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

Paragraph 5

If compliance with the provisions of paragraph 5 would result in decreases in amounts of duty payable on products with respect to which the rates of duty have been bound by an international agreement, the term "at the earliest practicable date" in paragraph 2 allows the member concerned a reasonable time to obtain adjustment of the agreement.

ARTICLE 36. FORMALITIES CONNECTED WITH IMPORTATION AND EXPORTATION

1. The members recognize that all fees and charges of whatever character (other than import and export duties and other than taxes within the purview of article 18) imposed by governmental authorities on or in connection with importation or exportation should be limited in amount to the approximate cost of services rendered and should not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes. The members also recognize the need for reducing the number and diversity of such fees and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements.

2. The members shall take action in accordance with the principles and objectives of paragraph 1 at the earliest practicable date. Moreover, they shall, upon request by another member directly affected, review the operation of any of their laws and regulations in the light of these principles. The Organization may request from members reports on steps taken by them in pursuance of the provisions of this paragraph.

3. The provisions of paragraphs 1 and 2 shall extend to fees, charges, formalities, and requirements imposed by governmental authorities in connection with importation and exportation, including those relating to:

(a) consular transactions, such as those relating to consular invoices and certificates;

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negligence shall be greater than necessary to serve merely as a warning.

4. The provisions of this article shall extend to fees, charges, formalities, and requirements imposed by governmental authorities in connection with importation and exportation, including those relating to:

(a) consular transactions, such as consular invoices and certificates;
(b) quantitative restrictions;
(c) licensing;
(d) exchange control;
(e) statistical services;
(f) documents, documentation, and certification;
(g) analysis and inspection; and
(h) quarantine, sanitation, and fumigation.

AD ARTICLE VIII
(From annex I)

While article VIII does not cover the use of multiple rates of exchange as such, paragraphs 1 and 4 condemn the use of exchange taxes or fees as a device for implementing multiple currency practices; if, however, a contracting party is using multiple currency exchange fees for balance-of-payments reasons with the approval of the International Monetary Fund, the provisions of paragraph 2 fully safeguard its position since that paragraph merely requires that the fees be eliminated at the earliest practicable date.

ARTICLE IX. MARKS OF ORIGIN

1. Each contracting party shall accord to the products of the territories of other contracting parties treatment with regard to marking requirements no less favorable than the treatment accorded to like products of any third country.

2. Whenever it is administratively practicable to do so, contracting parties should permit required marks of origin to be affixed at the time of importation.

3. The laws and regulations of contracting parties relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products, or materially reducing their value, or unreasonably increasing their cost.

4. As a general rule no special duty or penalty should be imposed by any contracting party for failure to comply with marking requirements prior to importation unless corrective marking is unreasonably delayed or deceptive marks have been affixed or the required marking has been intentionally omitted.

5. The contracting parties shall cooperate with each other with a view to preventing the

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(b) quantitative restrictions;
(c) licensing;
(d) exchange control;
(e) statistical services;
(f) documents, documentation, and certification;
(g) analysis and inspection; and
(h) quarantine, sanitation, and fumigation.

4. The Organization may study and recommend to members specific measures for the simplification and standardization of customs formalities and techniques and for the elimination of unnecessary customs requirements, including those relating to advertising matter and samples for use only in taking orders for merchandise.

5. No member shall impose substantial penalties for minor breaches of customs regulations or procedural requirements. In particular, no penalty in respect of any omission or mistake in customs documentation which is easily rectifiable and obviously made without fraudulent intent or gross negligence shall be greater than necessary to serve merely as a warning.

6. The members recognize that tariff descriptions based on distinctive regional or geographical names should not be used in such a manner as to discriminate against products of member countries. Accordingly, the members shall cooperate with each other directly and through the Organization with a view to eliminating at the earliest practicable date practices which are inconsistent with this principle.

AD ARTICLE 36

(From annex P)

Paragraph 3

While article 36 does not cover the use of multiple rates of exchange as such, paragraphs 1 and 3 condemn the use of exchange taxes or fees as a device for implementing multiple currency practices; if, however, a member is using multiple currency exchange fees for balance-of-payment reasons not inconsistently with the articles of agreement of the International Monetary Fund, the provisions of paragraph 2 fully safeguard its position since that paragraph merely requires that the fees be eliminated at the earliest practicable date.

ARTICLE 37. MARKS OF ORIGIN

1. The members recognize that, in adopting and implementing laws and regulations relating to marks of origin, the difficulties and inconveniences which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum.

2. Each member shall accord to the products of each other member country treatment with regard to marking requirements no less favorable than the treatment accorded to like products of any third country.

3. Whenever it is administratively practicable to do so, members should permit required marks of origin to be affixed at the time of importation.

4. The laws and regulations of members relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products or materially reducing their value or unreasonably increasing their cost.

5. The members agree to work in cooperation through the Organization toward the

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use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of such distinctive regional or geographical names of products of the territory of a contracting party as are protected by its legislation. Each contracting party shall accord full and sympathetic consideration to such requests or representations as may be made by any other contracting party regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other contracting party.

ARTICLE X. PUBLICATION AND ADMINISTRATION OF TRADE REGULATIONS

1. Laws, regulations, judicial decisions, and administrative rulings of general application, made effective by any contracting party, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes, or other charges, or to requirements, restrictions, or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing, or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or a governmental agency of any contracting party and the government or governmental agency of any other contracting party shall also be published. The provisions of this paragraph shall not require any contracting party to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

2. No measure of general application taken by any contracting party effecting an advance in a rate of duty or other charge on imports under an established and uniform practice, or imposing a new or more burdensome requirement, restriction or prohibition on imports, or on the transfer of payments therefor, shall be enforced before such measure has been officially published.

3. (a) Each contracting party shall administer in a uniform, impartial, and reasonable manner all its laws, regulations, decisions and rulings of the kind described in paragraph 1 of this article.

(b) Each contracting party shall maintain, or institute as soon as practicable, ju-

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early elimination of unnecessary marking requirements. The Organization may study and recommend to members measures directed to this end, including the adoption of schedules of general categories of products, in respect of which marking requirements operate to restrict trade to an extent disproportionate to any proper purpose to be served, and which shall not in any case be required to be marked to indicate their origin.

6. As a general rule no special duty or penalty should be imposed by any member for failure to comply with marking requirements prior to importation unless corrective marking is unreasonably delayed or deceptive marks have been affixed or the required marking has been intentionally omitted.

7. The members shall cooperate with each other directly and through the Organization with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product to the detriment of the distinctive regional or geographical names of products of a member country which are protected by the legislation of such country. Each member shall accord full and sympathetic consideration to such requests or representations as may be made by any other member regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other member. The Organization may recommend a conference of interested members on this subject.

ARTICLE 38. PUBLICATION AND ADMINISTRATION OF TRADE REGULATIONS

1. Laws, regulations, judicial decisions, and administrative rulings of general application made effective by any member, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes, or other charges, or to requirements, restrictions, or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing, or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or governmental agency of any member country and the government or governmental agency of any other country shall also be published. Copies of such laws, regulations, decisions, rulings, and agreements shall be communicated promptly to the Organization. The provisions of this paragraph shall not require any member to divulge confidential information the disclosure of which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

2. No measure of general application taken by any member effecting in advance in a rate of duty or other charge on imports under an established and uniform practice or imposing a new or more burdensome requirement, restriction or prohibition on imports, or on the transfer of payments therefor, shall be enforced before such measure has been officially made public.

3. (a) Each member shall administer in a uniform, impartial, and reasonable manner all its laws, regulations, decisions, and rulings of the kind described in paragraph 1. Suitable facilities shall be afforded for traders directly affected by any of those matters to consult with the appropriate governmental authorities.

(b) Each member shall maintain, or institute as soon as practicable, judicial, arbitral

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dicial, arbitral, or administrative tribunals or procedures for the purpose, inter alia, of the prompt review and correction of administrative action relating to customs matters. Such tribunals or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court of tribunal of superior jurisdiction within the time prescribed for appeals to be lodged by importers: *Provided,* That the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts.

(c) The provisions of subparagraph (b) of this paragraph shall not require the elimination or substitution of procedures in force in the territory of a contracting party on the date of this agreement which in fact provide for an objective and impartial review of administrative action even though such procedures are not fully or formally independent of the agencies entrusted with administrative enforcement. Any contracting party employing such procedures shall, upon request, furnish the contracting parties with full information thereon in order that they may determine whether such procedures conform to the requirements of this subparagraph.

No comparable article.

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or administrative tribunals or procedures for the purpose, inter alia, of the prompt review and correction of administrative action relating to customs matters. Such tribunals or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court or tribunal of superior jurisdiction within the time prescribed for appeals to be lodged by importers: *Provided,* That the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts.

(c) The provisions of subparagraph (b) shall not require the elimination or substitution of procedures in force in a member country on the date of this charter which in fact provide for an objective and impartial review of administrative action, even though such procedures are not fully or formally independent of the agencies entrusted with administrative enforcement. Any member employing such procedures shall, upon request, furnish the organization with full information thereon in order that the organization may determine whether such procedures conform to the requirements of this subparagraph.

ARTICLE 39. INFORMATION, STATISTICS, AND TRADE TERMINOLOGY

1. The members shall communicate to the organization, or to such agency as may be designated for the purpose by the organization, as promptly and in as much detail as is reasonably practicable:

(a) statistics of their external trade in goods (imports, exports, and, where applicable, reexports, transit and transshipment, and goods in warehouse or in bond);

(b) statistics of governmental revenue from import and export duties and other taxes on goods moving in international trade and, insofar as readily ascertainable, of subsidy payments affecting such trade.

2. So far as possible, the statistics referred to in paragraph 1 shall be related to tariff classifications and shall be in such form as to reveal the operation of any restrictions on importation or exportation which are based on or regulated in any manner by quantity or value or amounts of exchange made available.

3. The members shall publish regularly and as promptly as possible the statistics referred to in paragraph 1.

4. The members shall give careful consideration to any recommendations which the Organization may make to them with a view to improving the statistical information furnished under paragraph 1.

5. The members shall make available to the Organization, at its request and insofar as is reasonably practicable, such other statistical information as the Organization may deem necessary to enable it to fulfill its functions, provided that such information is not being furnished to other intergovernmental organizations from which the Organization can obtain it.

6. The Organization shall act as a center for the collection, exchange, and publication of statistical information of the kind referred to in paragraph 1. The Organization, in collaboration with the Economic and Social Council of the United Nations, and with any other organization deemed appropriate, may engage in studies with a view to improving the methods of collecting, analyzing, and publishing economic statistics and may promote the international comparability of such statistics, including the possible international adoption of standard tariff and commodity classifications.

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ARTICLE XI. GENERAL ELIMINATION OF QUANTITATIVE RESTRICTIONS

1. No prohibitions or restrictions other than duties, taxes, or other charges, whether made effective through quotas, import, or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party.

2. The provisions of paragraph 1 of this article shall not extend to the following:

(a) export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party;

(b) import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading, or marketing of commodities in international trade;

(c) import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

Any contracting party applying restrictions on the importation of any product pursuant to subparagraph (c) of this paragraph shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value. Moreover, any restrictions applied under (i) above shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the contracting party shall pay due regard to the proportion prevailing during a previous representative period and to any special factors which may have affected or may be affecting the trade in the product concerned.

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7. The Organization, in cooperation with the other organizations referred to in paragraph 6, may also study the question of adopting standards, nomenclatures, terms, and forms to be used in international trade and in the official documents and statistics of members relating thereto, and may recommend the general acceptance by members of such standards, nomenclatures, terms, and forms.

ARTICLE 20. GENERAL ELIMINATION OF QUANTITATIVE RESTRICTIONS

1. No prohibitions or restrictions other than duties, taxes, or other charges, whether made effective through quotas, import or export licenses, or other measures, shall be instituted or maintained by any member on the importation of any product of any other member country or on the exportation or sale for export of any product destined for any other member country.

2. The provisions of paragraph 1 shall not extend to the following:

(a) export prohibitions or restrictions applied for the period necessary to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting member country;

(b) import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading, or marketing of commodities in international trade; if, in the opinion of the organization, the standards or regulations adopted by a member under this subparagraph have an unduly restrictive effect on trade, the Organization may request the member to revise the standards or regulations: *Provided*, That it shall not request the revision of standards internationally agreed pursuant to recommendations made under paragraph 7 of article 39;

(c) import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate effectively:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

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3. Throughout articles XI, XII, XIII, and XIV the terms "import restrictions" or "export restrictions" include restrictions made effective through state trading operations.

AD ARTICLE XI

(From annex I)

Paragraph 2 (c)

The term "in any form" in this paragraph covers the same products when in an early stage of processing and still perishable, which compete directly with the fresh product and if freely imported would tend to make the restriction on the fresh product ineffective.

Paragraph 2, last subparagraph

The term "special factors" includes changes in relative productive efficiency as between domestic and foreign producers, or as between different foreign producers, but not changes artificially brought about by means not permitted under the agreement.

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3. With regard to import restrictions applied under the provisions of paragraph 2 (c):

(a) such restrictions shall be applied only so long as the governmental measures referred to in paragraph 2 (c) are in force, and, when applied to the import of products of which domestic supplies are available during only a part of the year, shall not be applied in such a way as to prevent their import in quantities sufficient to satisfy demand for current consumption purposes during those periods of the year when like domestic products, or domestic products for which the imported product can be directly substituted, are not available;

(b) any member intending to introduce restrictions on the importation of any product shall, in order to avoid unnecessary damage to the interests of exporting countries, give notice in writing as far in advance as practicable to the Organization and to members having a substantial interest in supplying that product, in order to afford such members adequate opportunity for consultation in accordance with the provisions of paragraphs 2 (d) and 4 of article 22, before the restrictions enter into force. At the request of the importing member concerned, the notification and any information disclosed during the consultations shall be kept strictly confidential;

(c) any member applying such restrictions shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value;

(d) any restrictions applied under paragraph 2 (c) (i) shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the member applying the restrictions shall pay due regard to the proportion prevailing during a previous representative period and to any special factors which may have affected or may be affecting the trade in the product concerned.

4. Throughout this section the terms "import restrictions" and "export restrictions" include restrictions made effective through state trading operations.

AD ARTICLE 20

(From annex P)

Paragraph 2 (a)

In the case of products which are basic to diet in the exporting country and which are subject to alternate annual shortages and surpluses, the provisions of paragraph 2 (a) do not preclude such export prohibitions or restrictions as are necessary to maintain from year to year domestic stocks sufficient to avoid critical shortages.

Paragraph 2 (c)

The expression "agricultural and fisheries product, imported in any form" means the product in the form in which it is originally sold by its producer and such processed forms of the product as are so closely related to the original product as regards utilization that their unrestricted importation would make the restriction on the original product ineffective.

Paragraph 3 (b)

The provisions for prior consultation would not prevent a member which had given other members a reasonable period of time for such consultation from introducing the restrictions at the date intended. It is recognized that, with regard to import restrictions applied under paragraph 2 (c) (ii), the period of advance notice provided would in some cases necessarily be relatively short.

Paragraph 3 (d)

The term "special factors" in paragraph 3 (d) includes among other factors changes in relative productive efficiency as between

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ARTICLE XII. RESTRICTIONS TO SAFEGUARD THE BALANCE OF PAYMENTS

1. Notwithstanding the provisions of paragraph 1 of article XI, any contracting party, in order to safeguard its external financial position and balance of payments, may restrict the quantity or value of merchandise permitted to be imported, subject to the provisions of the following paragraphs of this article.

2. (a) No contracting party shall institute, maintain, or intensify import restrictions under this article except to the extent necessary—

(i) to forestall the imminent threat of, or to stop, a serious decline in the monetary reserves, or

(ii) in the case of a contracting party with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

Due regard shall be paid in either case to any special factors which may be affecting the contracting party's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

(b) Contracting parties applying restrictions under subparagraph (a) of this paragraph shall progressively relax them as such conditions improve, maintaining them only to the extent that the conditions specified in that subparagraph still justify their application. They shall eliminate the restrictions when conditions would no longer justify their institution or maintenance under that subparagraph.

(c) Contracting parties undertake, in carrying out their domestic policies:

(i) to pay due regard to the need for restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources;

(ii) not to apply restrictions so as to prevent unreasonably the importation of any description of goods in minimum commercial quantities, the exclusion of which would impair regular channels of trade, or restrictions which would prevent the importation of commercial samples, or prevent compliance with patent, trademark, copyright, or similar procedures; and

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domestic and foreign producers which may have occurred since the representative period.

ARTICLE 21. RESTRICTIONS TO SAFEGUARD THE BALANCE OF PAYMENTS

1. The members recognize that—

(a) it is primarily the responsibility of each member to safeguard its external financial position and to achieve and maintain stable equilibrium in its balance of payments;

(b) an adverse balance of payments of one member country may have important effects on the trade and balance of payments of other member countries, if it results in, or may lead to, the imposition by the member of restrictions affecting international trade;

(c) the balance of payments of each member country is of concern to other members, and therefore its is desirable that the Organization should promote consultations among members and, where possible, agreed action consistent with this charter for the purpose of correcting a maladjustment in the balance of payments; and

(d) action taken to restore stable equilibrium in the balance of payments should so far as the member or members concerned find possible, employ methods which expand rather than contract international trade.

2. Notwithstanding the provisions of paragraph 1 of article 20, any member, in order to safeguard its external financial position and balance of payments, may restrict the quantity or value of merchandise permitted to be imported, subject to the provisions of the following paragraphs of this article.

3. (a) No member shall institute, maintain, or intensify import restrictions under this article except to the extent necessary—

(i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or

(ii) in the case of a member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

Due regard shall be paid in either case to any special factors which may be affecting the member's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

(b) A member applying restrictions under subparagraph (a) shall progressively relax and ultimately eliminate them, in accordance with the provisions of that subparagraph, as its external financial position improves. This provision shall not be interpreted to mean that a member is required to relax or remove such restrictions if that relaxation or removal would thereupon produce conditions justifying the intensification or institution, respectively, of restrictions under subparagraph (a).

(c) Members undertake:

(i) not to apply restrictions so as to prevent unreasonably the importation of any description of merchandise in minimum commercial quantities the exclusion of which would impair regular channels of trade, or restrictions which would prevent the importation of commercial samples or prevent the importation of such minimum quantities of a product as may be necessary to obtain and maintain patent, trade-mark, copyright, or similar rights under industrial or intellectual property laws;

(ii) to apply restrictions under this article in such a way as to avoid unnecessary damage to the commercial or economic interests of any other member, including interests under articles 3 and 9.

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(iii) to apply restrictions under this article in such a way as to avoid unnecessary damage to the commercial or economic interests of any other contracting party.

3. (a) The contracting parties recognize that during the next few years all of them will be confronted in varying degrees with problems of economic adjustment resulting from the war. During this period the contracting parties shall, when required to take decisions under this article or under article XIV, take full account of the difficulties of postwar adjustment and of the need which a contracting party may have to use import restrictions as a step towards the restoration of equilibrium in its balance of payments on a sound and lasting basis.

(b) The contracting parties recognize that, as a result of domestic policies directed toward the achievement and maintenance of full and productive employment and large and steadily growing demand or toward the reconstruction or development of industrial and other economic resources and the raising of standards of productivity, such a contracting party may experience a high level of demand for imports. Accordingly,

(i) notwithstanding the provisions of paragraph 2 of this article no contracting party shall be required to withdraw or modify restrictions on the ground that a change in the policies referred to above would render unnecessary the restrictions which it is applying under this article;

(ii) any contracting party applying import restrictions under this article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential in the light of such policies.

4. (a) Any contracting party which is not applying restrictions under this article, but is considering the need to do so, shall, before instituting such restrictions (or, in circumstances in which prior consultation is impracticable, immediately after doing so), consult with the contracting parties as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economies of other contracting parties. No contracting party shall be required in the course of consultations under this subparagraph to indicate in advance the choice or timing of any particular measures which it may ultimately determine to adopt.

(b) The contracting parties may at any time invite any contracting party which is applying import restrictions under this article to enter into such consultations with them, and shall invite any contracting party substantially intensifying such restrictions to consult within 30 days. A contracting party thus invited shall participate in such discussions. The contracting parties may invite any other contracting party to take part in these discussions. Not later than January 1, 1951, the contracting parties shall review all restrictions existing on that day and still applied under this article at the time of the review.

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4. (a) The members recognize that in the early years of the Organization all of them will be confronted in varying degrees with problems of economic adjustment resulting from the war. During this period the Organization shall, when required to take decisions under this article or under article 23, take full account of the difficulties of postwar adjustment and of the need which a member may have to use import restrictions as a step towards the restoration of equilibrium in its balance of payments on a sound and lasting basis.

(b) The members recognize that, as a result of domestic policies directed toward the fulfillment of a member's obligations under article 3 relating to the achievement and maintenance of full and productive employment and large and steadily growing demand, or its obligations under article 9 relating to the reconstruction or development of industrial and other economic resources and to the raising of standards of productivity, such a member may find that demands for foreign exchange on account of imports and other current payments are absorbing the foreign exchange resources currently available to it in such a manner as to exercise pressure on its monetary reserves which would justify the institution or maintenance of restrictions under paragraph 3 of this article. Accordingly,

(i) no member shall be required to withdraw or modify restrictions which it is applying under this article on the ground that a change in such policies would render these restrictions unnecessary;

(ii) any member applying import restrictions under this article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential in the light of such policies.

(c) Members undertake, in carrying out their domestic policies, to pay due regard to the need for restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources.

5. (a) Any member which is not applying restrictions under this article, but is considering the need to do so, shall, before instituting such restrictions (or, in circumstances in which prior consultation is impracticable, immediately after doing so), consult with the Organization as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economies of other members. No member shall be required in the course of consultations under this subparagraph to indicate in advance the choice or timing of any particular measure which it may ultimately determine to adopt.

(b) The Organization may at any time invite any member which is applying import restrictions under this article to enter into such consiultations with it and shall invite any member substantially intensifying such restrictions to consult within 30 days. A member thus invited shall participate in the consultations. The Organization may invite any other member to take part in the consultations. Not later than 2 years from the day on which this charter enters into force, the Organization shall review all restrictions existing on that day and still applied under this article at the time of the review.

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(c) Any contracting party may consult with the contracting parties with a view to obtainir g their prior approval for restrictions which the contracting party proposes, under this article, to maintain, intensify or institute, or for the maintenance, intensification or institution of restrictions under specified future conditions. As a result of such consultations, the contracting parties may approve in advance the maintenance, intensification or institution of restrictions by the contracting party in quest'on insofar as the general extent, degree of intensity and duration of the restrictions are concerned. To the extent to which such approval has been given, the requirements of subparagraph (a) of this paragraph shall be deemed to have been fulfilled, and the action of the contracting party applying the restrictions shall not be open to challenge under subparagraph (d) of this paragraph on the ground that such action is inconsistent with the provisions of paragraph 2 of this article.

(d) Any contracting party which considers that another contracting party is applying restrictions under this article inconsistently with the provisions of paragraphs 2 or 3 of this article or with those of article XIII (subject to the provisions of article XIV) may bring the matter for discussion to the contracting parties; and the contracting party applying the restrictions shall participate in the discussion. The contracting parties, if they are satisfied that there is a prima facie case that the trade of the contracting party initiating the procedure is adversely affected, shall submit their views to the parties with the aim of achieving a settlement of the matter in question which is satisfactory to the parties and to the contracting parties. If no such settlement is reached and if the contracting parties determine that the restrictions are being applied inconsistently with the provisions of paragraphs 2 or 3 of this article or with those of article XIII (subject to the provisions of article XIV), they shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified in accordance with the recommendation of the contracting parties within 60 days, they may release any contracting party from specified obligations under this agreement toward the contracting party applying the restrictions.

(e) It is recognized that premature disclosure of the prospective application, withdrawal, or modification of any restriction under this article might stimulate speculative trade and financial movements which would tend to defeat the purposes of this article. Accordingly, the contracting parties shall make provision for the observance of the utmost secrecy in the conduct of any consultation.

5. If there is a persistent and widespread application of import restrictions under this article, indicating the existence of a general disequilibrium which is restricting international trade, the contracting parties shall initiate discussions to consider whether other measures might be taken, either by those contracting parties whose balances of payments are under pressure or by those whose balances of payments are tending to be exceptionally favorable, or by any appropriate intergovernmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the contracting parties, contracting parties shall participate in such discussions.

AD ARTICLE XII

(From annex I)

Paragraph 3 (b) (i)

The phrase "notwithstanding the provisions of paragraph 2 of this article" has been included in the text to make it quite clear

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(c) Any member may consult with the organization with a view to obtaining the prior approval of the organization for restrictions which the member proposes, under this article, to maintain, intensify or institute, or for the maintenance, intensification of institution of restrictions under specified future conditions. As a result of such consultations, the organization may approve in advance the maintenance, intensification of institution of restrictions by the member in question in so far as the general extent, degree of intensity and duration of the restrictions are concerned. To the extent to which such approval has been given, the requirements of subparagraph (a) of this paragraph shall be deemed to have been fulfilled, and the action of the member applying the restriction shall not be open to challenge under subparagraph (d) of this paragraph on the ground that such action is inconsistent with the provisions of subparagraphs (a) and (b) of paragraph 3.

(d) Any member which considers that another member is applying restrictions under this article inconsistently with the provisions of paragraphs 3 or 4 of this article or with those of article 22 (subject to the provisions of article 23) may bring the matter to the organization for discussion; and the member applying the restrictions shall participate in the discussion. If, on the basis of the case presented by the member initiating the procedure, it appears to the Organization that the trade of that member is adversely affected, the Organization shall submit its views to the parties with the aim of achieving a settlement of the matter in question which is satisfactory to the parties and to the Organization. If no such settlement is reached and if the Organization determines that the restrictions are being applied inconsistently with the provisions of paragraph 3 or 4 of this article or with those of article 22 (subject to the provisions of article 23), the Organization shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified in accordance with the recommendation of the Organization within 60 days, the Organization may release any member from specified obligations or concessions under or pursuant to this charter toward the member applying the restrictions.

(e) In consultations between a member and the Organization under this paragraph there shall be full and free discussion as to the various causes and the nature of the member's balance-of-payments difficulties. It is recognized that premature disclosure of the prospective application, withdrawal, or modification of any restrictions under this article might stimulate speculative trade and financial movements which would tend to defeat the purposes of this article. Accordingly, the Organization shall make provision for the observance of the utmost secrecy in the conduct of any consultation.

AD ARTICLE 21

(From annex P)

With regard to the special problems that might be created for members which, as a result of their programs of full employment,

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that a contracting party's import restrictions otherwise "necessary" within the meaning of paragraph 2 (a) shall not be considered unnecessary on the ground that a change in domestic policies as referred to in the text could improve a contracting party's monetary reserve position. The phrase is not intended to suggest that the provisions of paragraph 2 are affected in any other way.

Consideration was given to the special problems that might be created for contracting parties which, as a result of their programs of full employment, maintenance of high and rising levels of demand and economic development, find themselves faced with a high level of demand for imports, and in consequence maintain quantitative regulation of their foreign trade. It was considered that the present text of article XII together with the provision for export controls in certain parts of the agreement, e. g. in article XX, fully meet the position of these economies.

6. If there is a persistent and widespread application of import restrictions under this article, indicating the existence of a general disequilibrium which is restricting international trade, the Organization shall initiate discussions to consider whether other measures might be taken, either by those members whose balances of payments are under pressure or by those members whose balances of payments are tending to be exceptionally favorable, or by any appropriate intergovernmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the Organization, members shall participate in such discussions.

ARTICLE XIII. NONDISCRIMINATORY ADMINISTRATION OF QUANTITATIVE RESTRICTIONS

1. No prohibition or restriction shall be applied by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation of any product destined for the territory of any other contracting party, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

2. In applying import restrictions to any product, contracting parties shall aim at a distribution of trade in such product approaching as closely as possible to the shares which the various contracting parties might be expected to obtain in the absence of such restrictions, and to this end shall observe the following provisions:

(a) Wherever practicable, quotas representing the total amount of permitted imports (whether allocated among supplying countries or not) shall be fixed, and notice given of their amount in accordance with paragraph 3 (b) of this article;

(b) in cases in which quotas are not practicable, the restrictions may be applied by means of import licenses or permits without a quota;

(c) contracting parties shall not, except for purposes of operating quotas allocated in accordance with subparagraph (d) of this paragraph, require that import licenses or permits be utilized for the importation of the product concerned from a particular country or source;

(d) in cases in which a quota is allocated among supplying countries, the contracting party applying the restrictions may seek agreement with respect to the allocation of shares in the quota with all other contracting parties having a substantial interest in supplying the product concerned. In cases in which this method is not reasonably practicable, the contracting party concerned shall allot to contracting parties having a substantial interest in supplying the product shares based upon the proportions, supplied by such contracting parties during a previous representative period, of the total quantity or value of imports of the product, due account being taken of any special factors which may have affected or may be affecting the trade in the product. No conditions or formalities shall be imposed which would prevent any contracting party from utilizing fully the share of any such total quantity or value which has been allotted to it, subject to importation being made within any prescribed period to which the quota may relate.

3. (a) In cases in which import licenses are issued in connection with import restrictions, the contracting party applying the restrictions shall provide, upon the request of any contracting party having an interest in the trade in the product concerned, all relevant information concerning the administration of the restrictions, the import licenses granted over a recent period and the distribution of such licenses among supplying countries: *Provided*, That there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(b) In the case of import restrictions involving the fixing of quotas the contracting party applying the restrictions shall give public notice of the total quantity or value of the product or products which will be permitted to be imported during a specified future period and of any change in such quantity or value. Any supplies of the product in question which were en route at the time at which public notice was given shall not be excluded from entry: *Provided*, That they may be counted so far as practicable against the quantity permitted to be imported in the period in question, and also, where necessary, against the quantities permitted to be imported in the next following period or periods: *And provided further*, That if any contracting party customarily exempts from such restrictions products entered for consumption or withdrawn from warehouse for consumption during a period of 30 days after the day of such public notice, such practice shall be considered full compliance with this subparagraph.

(c) In the case of quotas allocated among supplying countries the contracting party applying the restrictions shall promptly inform all other contracting parties having an interest in supplying the product concerned of the shares in the quota currently allocated, by quantity or value, to the various supplying countries and shall give public notice thereof.

4. With regard to restrictions applied in accordance with paragraph 2 (d) of this article or under paragraph 2 (c) of article XI, the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the contracting party applying the restriction: *Provided*, That such contracting party shall, upon the request of any other contracting party having a substantial interest in supplying that product or upon the request of the contracting parties, consult promptly with the other contracting party or the contracting parties regarding the need for an adjustment of the proportion determined or of the base period selected, or for the reappraisal of the special factors involved, or for the elimina-

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maintenance of high and rising levels of demand and economic development, find themselves faced with a high level of demand for imports, and in consequence maintain quantitative regulation of their foreign trade, it was considered that the text of article 21, together with the provision for export controls in certain parts of this charter, for example, in article 45, fully meet the position of these economies.

ARTICLE 22. NONDISCRIMINATORY ADMINISTRATION OF QUANTITATIVE RESTRICTIONS

1. No prohibition or restriction shall be applied by any member on the importation of any product of any other member country or on the exportation of any product destined for any other member country, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

2. In applying import restrictions to any product, members shall aim at a distribution of trade in such product approaching as closely as possible to the shares which the various member countries might be expected to obtain in the absence of such restrictions, and to this end, shall observe the following provisions:

(a) Wherever practicable, quotas representing the total amount of permitted imports (whether allocated among supplying countries or not) shall be fixed, and notice given of their amount in accordance with paragraph 3 (b);

(b) in cases in which quotas are not practicable, the restrictions may be applied by means of import licenses or permits without a quota;

(c) members shall not, except for purposes of operating quotas allocated in accordance with subparagraph (d) of this paragraph, require that import licenses or permits be utilized for the importation of the product concerned from a particular country or source;

(d) in cases in which a quota is allocated among supplying countries, the member applying the restrictions may seek agreement with respect to the allocation of shares in the quota with all other members having a substantial interest in supplying the product concerned. In cases in which this method is not reasonably practicable, the member concerned shall allot to member countries having a substantial interest in supplying the product shares of the total quantity or value of imports of the product based upon the proportions supplied by such member countries during a previous representative period,

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due account being taken of any special factors which may have affected or may be affecting the trade in the product. No conditions or formalities shall be imposed which would prevent any member country from utilizing fully the share of any such total quantity or value which has been allotted to it, subject to importation being made within any prescribed period to which the quota may relate.

3. (a) In the case of import restrictions involving the granting of import licenses, the member applying the restrictions shall provide, upon the request of any member having an interest in the trade in the product concerned, all relevant information concerning the administration of the restrictions, the import licenses granted over a recent period and the distribution of such licenses among supplying countries: *Provided,* That there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(b) In the case of import restrictions involving the fixing of quotas the member applying the restrictions shall give public notice of the total quantity or value of the product or products which will be permitted to be imported during a specified future period and of any change in such quantity or value. Any supplies of the product in question which were en route at the time at which public notice was given shall not be excluded from entry: *Provided,* That they may be counted, so far as practicable, against the quantity permitted to be imported in the period in question, and also, where necessary, against the quantities permitted to be imported in the next following period or periods: *And provided further,* That if any member customarily exempts from such restrictions products entered for consumption or withdrawn from warehouse for consumption during a period of 30 days after the day of such public notice, such practice shall be considered full compliance with this subparagraph.

(c) In the case of quotas allocated among supplying countries the member applying the restrictions shall promptly inform all other members having an interest in supplying the product concerned of the shares in the quota currently allocated, by quantity or value, to the various supplying countries and shall give public notice thereof.

(d) If the Organization finds, upon the request of a member, that the interests of that member would be seriously prejudiced by giving, in regard to certain products, the public notice required under subparagraphs (b) and (c) of this paragraph, by reason of the fact that a large part of its imports of such products is supplied by nonmember countries, the Organization shall release the member from compliance with the obligations in question to the extent and for such time as it finds necessary to prevent such prejudice. Any request made by a member pursuant to this subparagraph shall be acted upon promptly by the Organization.

4. With regard to restrictions applied in accordance with the provisions of paragraph 2 (d) of this article or under the provisions of paragraph 2 (c) of article 20, the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the member applying the restrictions: *Provided,* That such member shall, upon the request of any other member having a substantial interest in supplying that product, or upon the request of the Organization, consult promptly with the other member or the Organization regarding the need for an adjustment of the proportion determined or of the base period selected, or for the reappraisal of the special factors involved, or for the elimination of conditions, formali-

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tion of conditions, formalities or any other provisions established unilaterally relating to the allocation of an adequate quota or its unrestricted utilization.

5. The provisions of this article shall apply to any tariff quota instituted or maintained by any contracting party, and, insofar as applicable, the principles of this article shall also extend to export restrictions.

AD ARTICLE XIII

(From annex I)

Paragraph 2 (d)

No mention was made of "commercial considerations" as a rule for the allocation of quotas because it was considered that its application by governmental authorities might not always be practicable. Moreover, in cases where it is practicable, a contracting party could apply these considerations in the process of seeking agreement, consistently with the general rule laid down in the opening sentence of paragraph 2.

Paragraph 4

See note relating to "special factors" in connection with the last subparagraph of paragraph 2 of article XI.

ARTICLE XIV. EXCEPTIONS TO THE RULE OF NONDISCRIMINATION

1. (a) The contracting parties recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of nondiscriminatory administration of quantitative restrictions and therefore require the exceptional transitional period arrangements set forth in this paragraph.

(b) A contracting party which applies restrictions under article XII may in the use of such restrictions, deviate from the provisions of article XII in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that contracting party may at that time apply under article XIV of the Articles of Agreement of the International Monetary Fund, or under an analogous provision of a special exchange agreement entered into pursuant to paragraph 6 of article XV.

(c) A contracting party which is applying restrictions under article XII and which on March 1, 1948, was applying imports restrictions to safeguard its balance of payments in a manner which deviated from the rules of nondiscrimination set forth in article XIII may, to the extent that such deviation would not have been authorized on that date by subparagraph (b), continue so to deviate, and may adapt such deviation to changing circumstances.

(d) Any contracting party which before July 1, 1948, has signed the protocol of provisional application agreed upon at Geneva on October 30, 1947, and which by such signature has provisionally accepted the principles of paragraph 1 of article 23 of the draft charter submitted to the United Nations Conference on Trade and Employment by the preparatory committee, may elect, by written notice to the contracting parties before January 1, 1949, to be governed by the provisions of annex J of this agreement, which embodies such principles, in lieu of the pro-

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ties, or any other provisions established unilaterally with regard to the allocation of an adequate quota or its unrestricted utilization.

5. The provisions of this article shall apply to any tariff quota instituted or maintained by any member and, insofar as applicable, the principles of this article shall also extend to export restrictions.

AD ARTICLE 22

(From annex P)

Paragraphs 2 (d) and 4

The term "special factors" as used in article 22 includes among other factors the following changes, as between the various foreign producers, which may have occurred since the representative period:

1. Changes in relative productive efficiency;
2. The existence of new or additional ability to export; and
3. Reduced ability to export.

Paragraph 3

The first sentence of paragraph 3 (b) is to be understood as requiring the member in all cases to give, not later than the beginning of the relevant period, public notice of any quota fixed for a specified future period, but as permitting a member, which for urgent balance-of-payments reasons is under the necessity of changing the quota within the course of a specified period, to select the time of its giving public notice of the change. This in no way affects the obligation of a member under the provisions of paragraph 3 (a), where applicable.

ARTICLE 23. EXCEPTIONS TO THE RULE OF NONDISCRIMINATION

1. (a) The members recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of nondiscriminatory administration of quantitative restrictions and therefore require the exceptional transitional period arrangements set forth in this paragraph.

(b) A member which applies restrictions under article 21 may, in the use of such restrictions, deviate from the provisions of article 22 in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that member may at that time apply under article XIV of the Articles of Agreement of the International Monetary Fund, or under an analogous provision of a special exchange agreement entered into pursuant to paragraph 6 of article 24.

(c) Any member which is applying restrictions under article 21 and which on March 1, 1948, was applying import restrictions to safeguard its balance of payments in a manner which deviated from the rules of nondiscrimination set forth in article 22 may, to the extent that such deviation would not have been authorized on that date by subparagraph (b), continue so to deviate, and may adapt such deviation to changing circumstances.

(d) Any member which before July 1, 1948, signed the protocol of provisional application agreed upon at Geneva on October 30, 1947, and which by such signature has provisionally accepted the principles of paragraph 1 of article 23 of the draft charter submitted to the United Nations Conference on Trade and Employment by the preparatory committee, may elect, by written notice to the Interim Commission of the International Trade Organization or to the Organization before January 1, 1949, to be governed by the provisions of annex K of this charter,

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visions of subparagraphs (b) and (c) of this paragraph. The provisions of subparagraphs (b) and (c) shall not be applicable to contracting parties which have so elected to be governed by the provisions of annex J; and conversely, the provisions of annex J shall not be applicable to contracting parties which have not so elected.

(e) The policies applied in the use of import restrictions under subparagraphs (b) and (c) or under annex J in the postwar transitional period shall be designed to promote the maximum development of multilateral trade possible during that period and to expedite the attainment of a balance-of-payments position which will no longer require resort to the provisions of article XII or to transitional exchange arrangements.

(f) A contracting party may deviate from the provisions of article XIII, pursuant to subparagraph (b) or (c) of this paragraph or pursuant to annex J, only so long as it is availing itself of the postwar transitional period arrangements under article XIV of the Articles of Agreement of the International Monetary Fund, or of an analogous provision of a special exchange agreement entered into under paragraph 6 of article XV.

(g) Not later than March 1, 1950 (3 years after the date on which the International Monetary Fund began operations), and in each year thereafter, the contracting parties shall report on any action still being taken by contracting parties under subparagraphs (b) and (c) of this paragraph or under annex J. In March 1952, and in each year thereafter, any contracting party still entitled to take action under the provisions of subparagraph (c) or of annex J shall consult the contracting parties as to any deviations from article XIII still in force pursuant to such provisions and as to its continued resort to such provisions. After March 1, 1952, any action under annex J is going beyond the maintenance in force of deviations on which such consultation has taken place and which the contracting parties have not found unjustifiable, or their adaptation to changing circumstances shall be subject to any limitations of a general character which the contracting parties may prescribe in the light of the contracting party's circumstances.

(h) The contracting parties may, if they deem such action necessary in exceptional circumstances, make representations to any contracting party entitled to take action under the provisions of subparagraph (c) that conditions are favorable for the termination of any particular deviation from the provisions of article XIII, or for the general abandonment of deviations, under the provisions of that subparagraph. After March 1, 1952, the contracting parties may make such representations, in exceptional circumstances, to any contracting party entitled to take action under annex J. The contracting party shall be given a suitable time to reply to such representations. If the contracting parties find that the contracting party persists in unjustifiable deviation from the provisions of article XIII, the contracting party shall, within 60 days, limit or terminate such deviations as the contracting parties may specify.

2. Whether or not its transitional period arrangements have terminated pursuant to paragraph 1 (f), a contracting party which is applying import restrictions under article XII may, with the consent of the contracting parties, temporarily deviate from the provisions of article XIII in respect of a small part of its external trade where the benefits to the contracting party or contracting parties concerned substantially outweigh any injury which may result to the trade of other contracting parties.

3. The provisions of article XIII shall not preclude restrictions in accordance with the provisions of article XII which either

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which embodies such principles, in lieu of the provisions of subparagraphs (b) and (c) of this paragraph. The provisions of subparagraphs (b) and (c) shall not be applicable to members which have so elected to be governed by the provisions of annex K; and conversely, the provisions of annex K shall not be applicable to members which have not so elected.

(e) The policies applied in the use of import restrictions under subparagraph (b) and (c) or under annex K in the postwar transitional period shall be designed to promote the maximum development of multilateral trade possible during that period and to expedite the attainment of a balance-of-payments position which will no longer require resort to the provisions of article 21 or to transitional exchange arrangements.

(f) A member may deviate from the provisions of article 22, pursuant to subparagraph (b) or (c) of this paragraph or pursuant to annex K, only so long as it is availing itself of the postwar transitional period arrangements under article XIV of the Articles of Agreement of the International Monetary Fund, or of an analogous provision of a special exchange agreement entered into under paragraph 6 of article 24.

(g) Not later than March 1, 1950 (3 years after the date on which the International Monetary Fund began operations), and in each year thereafter, the Organization shall report on any action still being taken by members under subparagraphs (b) and (c) of this paragraph or under annex K. In March 1952, and in each year thereafter, any member still entitled to take action under the provisions of subparagraph (c) or of annex K shall consult the Organization as to any deviations from article 22 still in force pursuant to such provisions and as to its continued resort to such provisions. After March 1, 1952, any action under annex K going beyond the maintenance in force of deviations on which such consultation has taken place and which the Organization has not found unjustifiable, or their adoptation to changing circumstances, shall be subject to any limitations of a general character which the Organization may prescribe in the light of the member's circumstances.

(h) The Organization may, if it deems such action necessary in exceptional circumstances, make representations to any member entitled to take action under the provisions of subparagraph (c) that conditions are favorable for the termination of any particular deviation from the provisions of article 22, or for the general abandonment of deviations, under the provisions of that subparagraph. After March 1, 1952, the Organization may make such representations, in exceptional circumstances, to any member entitled to take action under annex K. The member shall be given a suitable time to reply to such representations. If the Organization finds that the member persists in unjustifiable deviation from the provisions of article 22, the member shall, within 60 days, limit or terminate such deviations as the Organization may specify.

2. Whether or not its transitional period arrangements have terminated pursuant to paragraph 1 (f), a member which is applying import restrictions under article 21 may, with the consent of the Organization, temporarily deviate from the provisions of article 22 in respect of a small part of its external trade where the benefits to the member or members concerned substantially outweigh any injury which may result to the trade of other members.

3. The provisions of article 22 shall not preclude restrictions in accordance with the provisions of article 21 which either

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(a) are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of article XIII, or

(b) assist, in the period until December 31, 1951, by measures not involving substantial departure from the provisions of article XIII, another country whose economy has been disrupted by war.

4. A contracting party applying import restrictions under article XII shall not be precluded by articles XI to XV, inclusive, of this agreement from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of article XIII.

5. A contracting party shall not be precluded by articles XI to XV, inclusive, of this agreement from applying quantitative restrictions

(a) having equivalent effect to exchange restrictions authorized under section 3 (b) of article VII of the articles of agreement of the International Monetary Fund; or

(b) under the preferential arrangement provided for in annex A of this agreement, pending the outcome of the negotiations referred to therein.

AD ARTICLE XIV

(From annex I)

Paragraph 1 (g)

The provisions of paragraph 1 (g) shall not authorize the contracting parties to require that the procedure of consultation be followed for individual transactions unless the transaction is of so large a scope as to constitute an act of general policy. In that event, the contracting parties shall, if the contracting party so requests, consider the transaction, not individually, but in relation to the contracting party's policy regarding imports of the product in question taken as a whole.

Paragraph 2

One of the situations contemplated in paragraph 2 is that of a contracting party holding balances acquired as a result of current transactions which it finds itself unable to use without a measure of discrimination.

ANNEX J. EXCEPTIONS TO THE RULE OF NONDISCRIMINATION

(Applicable to contracting parties who so elect, in accordance with paragraph 1 (d) of article XIV, in lieu of paragraphs 1 (b) and 1 (c) of article XIV.)

1. (a) A contracting party applying import restrictions under article XII may relax such restrictions in a manner which departs from the provisions of article XIII to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraphs 3 (a) and 3 (b) of article XII if its restrictions were fully consistent with the provisions of article XIII; *Provided*, That

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other contracting parties, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the contracting party taking such action does not do so as part of any arrangement by which the gold or convertible currency which the contracting party currently receives directly or indirectly from its exports to other contracting parties not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) such action does not cause unnecessary damage to the commercial or economic interests of any other contracting party;

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(a) are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of article 22, or

(b) assist, in the period until December 31, 1951, by measures not involving substantial departure from the provisions of article 22, another country whose economy has been disrupted by war.

4. A member applying import restrictions under article 21 shall not be precluded by this section from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of article 22.

5. A member shall not be precluded by this section from applying quantitative restrictions

(a) having equivalent effect to exchange restrictions authorized under section 3 (b) of article VII of the Articles of Agreement of the International Monetary Fund; or

(b) under the preferential arrangements provided for in annex A of this charter, pending the outcome of the negotiations referred to therein.

AD ARTICLE 23

(From annex P)

Paragraph 1 (g)

The provisions of paragraph 1 (g) shall not authorize the Organization to require that the procedure of consultation be followed for individual transactions unless the transaction is of so large a scope as to constitute an act of general policy. In that event, the Organization shall, if the member so requests, consider the transaction, not individually, but in relation to the member's policy regarding imports of the product in question taken as a whole.

Paragraph 2

One of the situations contemplated in paragraph 2 is that of a member holding balances acquired as a result of current transactions which it finds itself unable to use without a measure of discrimination.

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(b) Any contracting party taking action under this paragraph shall observe the principles of subparagraph (a). A contracting party shall desist from transactions which prove to be inconsistent with that subparagraph but the contracting party shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that subparagraph are fulfilled in respect of individual transactions.

ANNEX K. EXCEPTIONS TO THE RULE OF NON-DISCRIMINATION

(Applicable to members who so elect, in accordance with paragraph 1 (d) of article 23, in lieu of paragraphs 1 (b) and 1 (c) of article 23.)

1. (a) A member applying import restrictions under article 21 may relax such restrictions in a manner which departs from the provisions of article 22 to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraphs 3 (a) and 3 (b) of article 21 if its restrictions were fully consistent with the provisions of article 22: *Provided,* That

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other member countries, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the member taking such action does not do so as part of any arrangement by which the gold or convertible currency which the member currently receives directly or indirectly from its exports to other members not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) such action does not cause unnecessary damage to the commercial or economic interests of any other member, including interests under articles 3 and 9.

(b) Any member taking action under this paragraph shall observe the principles of subparagraph (a). A member shall desist from transactions which prove to be inconsistent with that subparagraph but the member shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that subparagraph are fulfilled in respect of individual transactions.

2. Any contracting party taking action under paragraph 1 of this annex shall keep the contracting parties regularly informed regarding such action and shall provide such available relevant information as the contracting parties may request.

3. If at any time the contracting parties find that import restrictions are being applied by a contracting party in a discriminatory manner inconsistent with the exceptions provided for under paragraph 1 of this annex, the contracting party shall, within 60 days, remove the discrimination or modify it as specified by the contracting parties: *Provided,* That any action under paragraph 1 of this annex, to the extent that it has been approved by the contracting parties at the request of a contracting party under a procedure analogous to that of paragraph 4 (c) of article XII, shall not be open to challenge under this paragraph or under paragraph 4 (d) of article XII on the ground that it is inconsistent with the provisions of article XIII.

INTERPRETATIVE NOTE TO ANNEX J

It is understood that the fact that a contracting party is operating under the provisions of part II (a) of article XX does not preclude that contracting party from operation under this annex, but that the provisions of article XIV (including this annex) do not in any way limit the rights of contracting parties under part II (a) of article XX.

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2. Any member taking action under paragraph 1 of this annex shall keep the Organization regularly informed regarding such action and shall provide such available relevant information as the Organization may request.

3. If at any time the Organization finds that import restrictions are being applied by a member in a discriminatory manner inconsistent with the exceptions provided for under paragraph 1 of this annex, the member shall within 60 days, remove the discrimination or modify it as specified by the Organization: *Provided,* That any action under paragraph 1 of this annex, to the extent that it has been approved by the Organization at the request of a member under a procedure analogous to that of paragraph 5 (c) of article 21, shall not be open to challenge under this paragraph or under paragraph 5 (d) of article 21 on the ground that it is inconsistent with the provisions of article 22.

AD ANNEX K

(From annex P)

It is understood that the fact that a member is operating under the provisions of paragraph 1 (b) (i) of article 45 does not preclude that member from operation under this annex, but that the provisions of article 23 (including this annex) do not in any way limit the rights of members under paragraph 1 (b) (i) of article 45.

GENERAL AGREEMENT ON TARIFFS AND TRADE

ARTICLE XV. EXCHANGE ARRANGEMENTS

1. The contracting parties shall seek cooperation with the International Monetary Fund to the end that the contracting parties and the Fund may pursue a coordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the contracting parties.

2. In all cases in which the contracting parties are called upon to consider or deal with problems concerning monetary reserves, balances of payments or foreign exchange arrangements, they shall consult fully with the International Monetary Fund. In such consultation, the contracting parties shall accept all findings of statistical and other facts presented by the Fund relating to foreign exchange, monetary reserves, and balances of payments, and shall accept the determination of the Fund as to whether action by a contracting party in exchange matters is in accordance with the Articles of Agreement of the International Monetary Fund, or with the terms of a special exchange agreement between that contracting party and the contracting parties. The contracting parties, in reaching their final decision in cases involving the criteria set forth in paragraph 2 (a) of article XII, shall accept the determination of the Fund as to what constitutes a serious decline in the contracting party's monetary reserves, a very low level of its monetary reserves, or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases.

3. The contracting parties shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this article.

4. Contracting parties shall not, by exchange action, frustate the intent of the provisions of this agreement, nor, by trade action, the intent of the provisions of the articles of agreement of the International Monetary Fund.

5. If the contracting parties consider, at any time, that exchange restrictions on payments and transfers in connection with imports are being applied by a contracting party in a manner inconsistent with the exceptions provided for in this agreement for quantitative restrictions, they shall report thereon to the Fund.

6. Any contracting party which is not a member of the Fund shall, within a time to be determined by the contracting parties after consultation with the Fund, become a member of the Fund, or, failing that, enter into a special exchange agreement with the contracting parties. A contracting party which ceases to be a member of the Fund shall forthwith enter into a special exchange agreement with the contracting parties. Any special exchange agreement entered into by a contracting party under this paragraph shall thereupon become parts of its obligation under this agreement.

7. (a) A special exchange agreement between a contracting party and the contracting parties under paragraph 6 of this article shall provide to the satisfaction of the contracting parties that the objectives of this agreement will not be frustrated as a result of action in exchange by the contracting party in question.

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ARTICLE 24. RELATIONSHIP WITH THE INTERNATIONAL MONETARY FUND AND EXCHANGE ARRANGEMENTS

1. The Organization shall seek cooperation with the International Monetary Fund to the end that the Organization and the Fund may pursue a coordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the Organization.

2. In all cases in which the Organization is called upon to consider or deal with problems concerning monetary reserves, balance of payments, or foreign exchange arrangements, the Organization shall consult fully with the Fund. In such consultation, the Organization shall accept all findings of statistical and other facts presented by the Fund relating to foreign exchange, monetary reserves, and balance of payments, and shall accept the determination of the Fund whether action by a member with respect to exchange matters is in accordance with the Articles of Agreement of the International Monetary Fund, or with the terms of a special exchange agreement entered into between that member and the Organization pursuant to paragraph 6 of this article. When the Organization is examining a situation in the light of the relevant considerations under all the pertinent provisions of article 21 for the purpose of reaching its final decision in cases involving the criteria set forth in paragraph 3 (a) of that article, it shall accept the determination of the Fund as to what constitutes a serious decline in the member's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases.

3. The Organization shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this article. Any such agreement, other than informal arrangements of a temporary or administrative character, shall be subject to confirmation by the conference.

4. Members shall not, by exchange action, frustrate the intent of the provisions of this section, nor, by trade action, the intent of the provisions of the Articles of Agreement of the International Monetary Fund.

5. If the Organization considers, at any time, that exchange restrictions on payments and transfers in connection with imports are being applied by a member in a manner inconsistent with the provisions of this section with respect to quantitative restriction, it shall report thereon to the Fund.

6. (a) Any member of the Organization which is not a member of the Fund shall, within a time to be determined by the Organization after consultation with the Fund, become a member of the Fund, or failing that, enter into a special exchange agreement with the Organization. A member of the Organization which ceases to be a member of the Fund shall forthwith enter into a special exchange agreement with the Organization. Any special exchange agreement entered into by a member under this subparagraph shall thereupon become part of its obligations under this charter.

(b) Any such agreement shall provide to the satisfaction of the Organization that the objectives of this charter will not be frustrated as a result of action with respect to exchange matters by the member in question.

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(b) The terms of any such agreement shall not impose obligations on the contracting party in exchange matters generally more restrictive than those imposed by the Articles of Agreement of the International Monetary Fund on members of the Fund.

8. A contracting party which is not a member of the Fund shall furnish such information within the general scope of section 5 of article VIII of the Articles of Agreement of the International Monetary Fund as the contracting parties may require in order to carry out their functions under this agreement.

9. Nothing in this agreement shall preclude:

(a) the use by a contracting party of exchange controls or exchange restrictions in accordance with the Articles of Agreement of the International Monetary Fund or with that contracting party's special exchange agreement with the contracting parties, or

(b) the use by a contracting party of restrictions or controls on imports or exports, the sole effect of which, additional to the effects permitted under articles XI, XII, XIII and XIV, is to make effective such exchange controls or exchange restrictions.

AD ARTICLE XV

(From annex I)

Paragraph 4

The word "frustrate" is intended to indicate for example, that infringements of the letter of any article of this agreement by exchange action shall not be regarded as a violation of that article if, in practice, there is no appreciable departure from the intent of the article. Thus, a contracting party which, as part of its exchange control operated in accordance with the Articles of Agreement of the International Monetary Fund, requires payment to be received for its exports in its own currency or in the currency of one or more members of the International Monetary Fund will not thereby be deemed to contravene article XI or article XIII. Another example would be that of a contracting party which specifies on an import license the country from which the goods may be imported, for the purpose not of introducing any additional element of discrimination in its import licensing system but of enforcing permissible exchange controls.

ARTICLE XVI. SUBSIDIES

If any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into, its territory, it shall notify the contracting parties in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. In any case in which it is determined that serious prejudice to the interests of any other contracting party is

(c) Any such agreement shall not impose obligations on the member with respect to exchange matters generally more restrictive than those imposed by the Articles of Agreement of the International Monetary Fund on members of the Fund.

(d) No member shall be required to enter into any such agreement so long as it uses solely the currency of another member and so long as neither the member nor the country whose currency is being used maintains exchange restrictions. Nevertheless, if the Organization at any time considers that the absence of a special exchange agreement may be permitting action which tends to frustrate the purposes of any of the provisions of this charter, it may require the member to enter into a special exchange agreement in accordance with the provisions of this paragraph. A member of the Organization which is not a member of the Fund and which has not entered into a special exchange agreement may be required at any time to consult with the Organization on any exchange problem.

7. A member which is not a member of the Fund, whether or not it has entered into a special exchange agreement, shall furnish such information within the general scope of section 5 of article VIII of the Articles of Agreement of the International Monetary Fund as the Organization may require in order to carry out its functions under this charter.

8. Nothing in this section shall preclude:

(a) the use by a member of exchange controls or exchange restrictions in accordance with the Articles of Agreement of the International Monetary Fund or with that member's special exchange agreement with the Organization, or

(b) the use by a member of restrictions or controls on imports or exports, the sole effect of which, in addition to the effects permitted under articles 20, 21, 22, and 23, is to make effective such exchange controls or exchange restrictions.

AD ARTICLE 24

(From annex P)

Paragraph 8

For example, a member which, as part of its exchange control operated in accordance with the Articles of Agreement of the International Monetary Fund, requires payment to be received for its exports in its own currency or in the currency of one or more members of the Fund would not thereby be deemed to contravene the provisions of article 20 or 22. Another example would be that of a member which specifies on an import license the country from which the goods may be imported for the purpose, not of introducing any additional element of discrimination in its import licensing system, but of enforcing permissible exchange controls.

ARTICLE 25. SUBSIDIES IN GENERAL

If any member grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to maintain or increase exports of any product from, or to reduce, or prevent an increase in, imports of any product into its territory, the member shall notify the Organization in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. In any case in which a member considers that serious prejudice to its interests is caused or threatened by any such subsidization, the contracting party granting the subsidy shall, upon request, discuss with the other contracting party or parties concerned, or with the contracting parties, the possibility of limiting the subsidization.

ests is caused or threatened by any such subsidization, the member granting the subsidy shall, upon request discuss with the other member or members concerned, or with the Organization, the possibility of limiting the subsidization.

ARTICLE 26. ADDITIONAL PROVISIONS ON EXPORT SUBSIDIES

1. No member shall grant, directly or indirectly, any subsidy on the export of any product, or establish or maintain any other system, which subsidy or system results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in the conditions and terms of sale, for difference in taxation, and for other differences affecting price comparability.

2. The exemption of exported products from duties or taxes imposed in respect of like products when consumed domestically, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be in conflict with the provisions of paragraph 1. The use of the proceeds of such duties or taxes to make payments to domestic producers in general of those products shall be considered as a case under article 25.

3. Members shall give effect to the provisions of paragraph 1 at the earliest practicable date but not later than 2 years from the day on which this charter enters into force. If any member considers itself unable to do so in respect of any particular product or products, it shall, at least 3 months before the expiration of such period, give notice in writing to the Organization, requesting a specific extension of the period. Such notice shall be accompanied by a full analysis of the system in question and the circumstances justifying it. The Organization shall then determine whether the extension requested should be made and, if so, on what terms.

4. Notwithstanding the provisions of paragraph 1, any member may subsidize the exports of any product to the extent and for such time as may be necessary to offset a subsidy granted by a nonmember affecting the member's exports of the product. However, the member shall, upon the request of the Organization or of any other member which considers that its interests are seriously prejudiced by such action, consult with the Organization or with that member, as appropriate, with a view to reaching a satisfactory adjustment of the matter.

ARTICLE 27. SPECIAL TREATMENT OF PRIMARY COMMODITIES

1. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be considered not to involve a subsidy on export within the meaning of paragraph 1 of article 26, if the Organization determines that—

(a) the system has also resulted, or is so designed as to result, in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market; and

(b) the system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other members.

2. Any member granting a subsidy in respect of a primary commodity shall cooperate at all times in efforts to negotiate agreements, under the procedures set forth in chapter VI, with regard to that commodity.

3. In any case involving a primary commodity, if a member considers that its interests would be seriously prejudiced by compliance with the provisions of article 26, or if a member considers that its interests are seriously prejudiced by the granting of any form of subsidy, the procedures set forth in chapter VI may be followed. The member which considers that its interests are thus seriously prejudiced shall, however, be exempt provisionally from the requirements of paragraphs 1 and 3 of article 26 in respect of that commodity, but shall be subject to the provisions of article 28.

4. No member shall grant a new subsidy or increase an existing subsidy affecting the export of a primary commodity, during a commodity conference called for the purpose of negotiating an intergovernmental control agreement for the commodity concerned unless the organization concurs, in which case such new or additional subsidy shall be subject to the provisions of article 28.

5. If the measures provided for in chapter VI have not succeeded, or do not promise to succeed, within a reasonable period of time, or if the conclusion of a commodity agreement is not an appropriate solution, any member which considers that its interests are seriously prejudiced shall not be subject to the requirements of paragraphs 1 and 3 of article 26 in respect of that commodity, but shall be subject to the provisions of article 28.

ARTICLE 28. UNDERTAKING REGARDING STIMULATION OF EXPORTS OF PRIMARY COMMODITIES

1. Any member granting any form of subsidy, which operates directly or indirectly to maintain or increase the export of any primary commodity from its territory, shall not apply the subsidy in such a way as to have the effect of maintaining or acquiring for that member more than an equitable share of world trade in that commodity.

2. As required under the provisions of article 25, the member granting such subsidy shall promptly notify the Organization of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected commodity exported from its territory, and of the circumstances making the subsidization necessary. The member shall promptly consult with any other member which considers that serious prejudice to its interests is caused or threatened by the subsidization.

3. If, within a reasonable period of time, no agreement is reached in such consultation, the Organization shall determine what constitutes an equitable share of world trade in the commodity concerned and the member granting the subsidy shall conform to this determination.

4. In making the determination referred to in paragraph 3, the Organization shall take into account any factors which may have affected or may be affecting world trade in the commodity concerned, and shall have particular regard to:

(a) the member country's share of world trade in the commodity during a previous representative period;

(b) whether the member country's share of world trade in the commodity is so small that the effect of the subsidy on such trade is likely to be of minor significance;

(c) the degree of importance of the external trade in the commodity to the economy of the member country granting, and to the economies of the member countries materially affected by, the subsidy;

(d) the existence of price stabilization systems conforming to the provisions of paragraph 1 of article 27;

(e) the desirability of facilitating the gradual expansion of production for export in those areas able to satisfy world market requirements of the commodity concerned

ARTICLE XVII. NONDISCRIMINATORY TREATMENT ON THE PART OF STATE-TRADING ENTERPRISES

1. (a) Each contracting party undertakes that if it establishes or maintains a state enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases or sales involving either imports or exports, act in a manner consistent with the general principles of nondiscriminatory treatment prescribed in this agreement for governmental measures affecting imports or exports by private traders.

(b) The provisions of subparagraph (a) of this paragraph shall be understood to require that such enterprises shall, having due regard to the other provisions of this agreement, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation, and other condtions of purchase or sale, and shall afford the enterprises of the other contracting parties adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

(c) No contracting party shall prevent any enterprise (whether or not an enterprise described in subparagraph (a) of this paragraph) under its jurisdiction from acting in accordance with the principles of subparagraphs (a) and (b) of this paragraph.

2. The provisions of paragraph 1 of this article shall not apply to imports of products for immediate or ultimate consumption in governmental use and not otherwise for resale or for use in the production of goods for sale. With respect to such imports, each contracting party shall accord to the trade of the other contracting parties fair and equitable treatment.

AD ARTICLE XVII

(From annex I)

Paragraph 1

The operations of marketing boards, which are established by contracting parties and are engaged in purchasing or selling, are subject to the provisions of subparagraphs (a) and (b).

The activities of marketing boards which are established by contracting parties and which do not purchase or sell but lay down regulations covering private trade are governed by the relevant articles of this agreement.

The charging by a state enterprise of different prices for its sales of a product in different markets is not precluded by the provisions of this article, provided that such different prices are charged for commercial reasons, to meet conditions of supply and demand in export markets.

Paragraph 1 (a)

Governmental measures imposed to ensure standards of quality and efficiency in the operation of external trade, or privileges granted for the exploitation of national natural resources but which do not empower the government to exercise control over the trading activities of the enterprise in question, do not constitute "exclusive or special privileges."

Paragraph 1 (b)

A country receiving a "tied loan" is free to take this loan into account as a "commercial consideration" when purchasing requirements abroad.

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in the most effective and economic manner, and therefore of limiting any subsidies or other measures which make that expansion difficult.

ARTICLE 29. NONDISCRIMINATORY TREATMENT

1. (a) Each member undertakes that if it establishes or maintains a state enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases and sales involving either imports or exports, act in a manner consistent with the general principles of nondiscriminatory treatment prescribed in this charter for governmental measures affecting imports or exports by private traders.

(b) The provisions of subparagraph (a) shall be understood to require that such enterprises shall, having due regard to the other provisions of this charter, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation, and other conditions of purchase or other goods and materials carried on directly other member countries adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

(c) No member shall prevent any enterprise (whether or not an enterprise described in subparagraph (a)) under its jurisdiction from acting in accordance with the principles of subparagraphs (a) and (b).

2. The provisions of paragraph 1 shall not apply to imports of products purchased for governmental purposes and not with a view to commercial resale or with a view to use it in the production of goods for commercial sale. With respect to such imports, and with respect to the laws, regulations and requirements referred to in paragraph 8 (a) of article 18, each member shall accord to the trade of the other members fair and equitable treatment.

AD ARTICLE 29

(From annex P)

Paragraph 1

NOTE 1.—Different prices for sales and purchases of products in different markets are not precluded by the provisions of article 29, provided that such different prices are charged or paid for commercial reasons, having regard to different conditions, including supply and demand, in such markets.

NOTE 2.—Subparagraphs (a) and (b) of paragraph 1 shall not be construed as apply to the trading activities of enterprises to which a member has granted licenses or other special privileges (a) solely to insure standards of quality and efficiency in the conduct of its external trade, or (b) for the exploitation of its natural resources; provided that the member does not thereby establish or exercise effective control or direction of the trading activities of the enterprises in question, or create a monopoly whose trading activities are subject to effective governmental control or direction.

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Paragraph 2

The term "goods" is limited to products as understood in commercial practice, and is not intended to include the purchase or sale of services.

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ARTICLE 30. MARKETING ORGANIZATIONS

If a member establishes or maintains a marketing board, commission, or similar organization, the member shall be subject:

(a) with respect to purchases or sales by any such organization, to the provisions of paragraph 1 of article 29;

(b) with respect to any regulations of any such organization governing the operations of private enterprises, to the other relevant provisions of this charter.

ARTICLE 31. EXPANSION OF TRADE

1. If a member establishes, maintains, or authorizes, formally or in effect, a monopoly of the importation or exportation of any product, the member shall, upon the request of any other member or members having a substantial interest in trade with it in the product concerned, negotiate with such other member or members in the manner provided for under article 17 in respect of tariffs, and subject to all the provisions of this charter with respect to such tariff negotiations, with the object of achieving:

(a) in the case of an export monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic users of the monopolized product, or designed to assure exports of the monopolized product in adequate quantities at reasonable prices;

(b) in the case of an import monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic producers of the monopolized product, or designed to relax any limitation on imports which is comparable with a limitation made subject to negotiation under other provisions of this chapter.

2. In order to satisfy the requirements of paragraph 1 (b), the member establishing, maintaining, or authorizing a monopoly shall negotiate:

(a) for the establishment of the maximum import duty that may be applied in respect of the product concerned; or

(b) for any other mutually satisfactory arrangement consistent with the provisions of this charter, if it is evident to the negotiating parties that to negotiate a maximum import duty under subparagraph (a) of this paragraph is impracticable or would be ineffective for the achievement of the objectives of paragraph 1; any member entering into negotiations under this subparagraph shall afford to other interested members an opportunity for consultation.

3. In any case in which a maximum import duty is not negotiated under paragraph 2 (a), the member establishing, maintaining, or authorizing the import monopoly shall make public, or notify the Organization of, the maximum import duty which it will apply in respect of the product concerned.

(Balance of article given opposite of article II of GATT)

5. With regard to any product to which the provisions of this article apply, the monopoly shall, whenever this principle can be effectively applied and subject to the other provisions of this charter, import and offer for sale such quantities of the product as will be sufficient to satisfy the full domestic demand for the imported product, account being taken of any rationing to consumers of the imported and like domestic product which may be in force at that time.

6. In applying the provisions of this article, due regard shall be had for the fact that some monopolies are established and operated mainly for social, cultural, humanitarian or revenue purposes.

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ARTICLE XVIII. GOVERNMENTAL ASSISTANCE TO ECONOMIC DEVELOPMENT AND RECONSTRUCTION

1. The contracting parties recognize that special governmental assistance may be required to promote the establishment, development or reconstruction of particular industries or branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified. At the same time they recognize that an unwise use of such measures would impose undue burdens on their own economies and unwarranted restrictions on international trade, and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

2. The contracting parties and the contracting parties concerned shall preserve the utmost secrecy in respect of matters arising under this article.

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3. If a contracting party, in the interest of its economic development or reconstruction, or for the purpose of increasing a most-favored-nation rate of duty in connection with the establishment of a new preferential agreement in accordance with the provisions of paragraph 3 of article I, considers it desirable to adopt any nondiscriminatory measure affecting imports which would conflict with an obligation which the contracting party has assumed under article II of this agreement, but which would not conflict with other provisions in this agreement, such contracting party—

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7. This article shall not limit the use by members of any form of assistance to domestic producers permitted by other provisions of this charter.

AD ARTICLE 31

(From annex P)

Paragraphs 2 and 4

The maximum import duty referred to in paragraphs 2 and 4 would cover the margin which has been negotiated or which has been published or notified to the Organization, whether or not collected, wholly or in part, at the custom house as an ordinary customs duty.

Paragraph 4

With reference to the second proviso, the method and degree of adjustment to be permitted in the case of a primary commodity which is the subject of a domestic price stabilization arrangement should be normally a matter for agreement at the time of the negotiations under paragraph 2 (a).

ARTICLE 32. LIQUIDATION OF NONCOMMERCIAL STOCKS

1. If a member holding stocks of any primary commodity accumulated for noncommercial purposes should liquidate such stocks, it shall carry out the liquidation, as far as practicable, in a manner that will avoid serious disturbance to world markets for the commodity concerned.

2. Such member shall:

(a) give not less than 4 months' public notice of its intention to liquidate such stocks; or

(b) give not less than 4 months' prior notice to the Organization of such intention.

3. Such member shall, at the request of any member which considers itself substantially interested, consult as to the best means of avoiding substantial injury to the economic interests of producers and consumers of the primary commodity in question. In cases where the interests of several members might be substantially affected, the Organization may participate in the consultations, and the member holding the stocks shall give due consideration to its recommendations.

4. The provisions of paragraphs 2 and 3 shall not apply to routine disposal of supplies necessary for the rotation of stocks to avoid deterioration.

ARTICLE 13. GOVERNMENTAL ASSISTANCE TO ECONOMIC DEVELOPMENT AND RECONSTRUCTION

1. The members recognize that special governmental assistance may be required to promote the establishment, development, or reconstruction of particular industries or branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified. At the same time they recognize that an unwise use of such measures would impose undue burdens on their own economies and unwarranted restrictions on international trade, and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

2. The Organization and the members concerned shall preserve the utmost secrecy in respect of matters arising under this article.

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3. If a member, in the interest of its economic development or reconstruction, or for the purpose of increasing a most-favored-nation rate of duty in connection with the establishment of a new preferential agreement in accordance with the provisions of article 15, considers it desirable to adopt any nondiscriminatory measure affecting imports which would conflict with an obligation which the member has assumed in respect of any product through negotiations with any other member or members pursuant to chapter IV but which would not conflict with that chapter, such member—

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(a) Shall enter into direct negotiations with all the other contracting parties. The appropriate schedules to this agreement shall be amended in accordance with any agreement resulting from such negotiations; or

(b) Shall intially or may, in the event of failure to reach agreement under subparagraph (a), apply to the contracting parties. The contracting parties shall determine the contracting party or parties materially affected by the proposed measure and shall sponsor negotiations between such contracting party or parties and the applicant contracting party with a view to obtaining expeditious and substantial agreement. The contracting parties shall establish and communicate to the contracting parties concerned a time schedule for such negotiations, following as far as practicable any time schedule which may have been proposed by the applicant contracting party. The contracting parties shall commence and proceed continuously with such negotiations in accordance with the time schedule established by the contracting parties. At the request of a contracting party the contracting parties may, where they concur in principle with the proposed measure, assist in the negotiations. Upon substantial agreement being reached, the applicant contracting party may be released by the contracting parties from the obligation referred to in this paragraph, subject to such limitations as may have been agreed upon in the negotiations between the contracting parties concerned.

4. (a) If as a result of action initiated under paragraph 3 there should be an increase in imports of any product concerned, including products which can be directly substituted therefor, which if continued would be so great as to jeopardize the establishment, development or reconstruction of the industry or branch of agriculture concerned, and if no preventive measures consistent with the provisions of this agreement can be found which seem likely to prove effective, the applicant contracting party may, after informing, and when practicable consulting with, the contracting parties, adopt such other measures as the situation may require, provided that such measures do not restrict imports more than necessary to offset the increase in imports referred to in this subparagraph; except in unusual circumstances, such measures shall not reduce imports below the level obtaining in the most recent representatve period preceding the date on which the contracting party initiated action under paragraph 3.

(b) The contracting parties shall determine, as soon as practicable, whether any such measures should be continued, discontinued, or modified. It shall in any case be terminated as soon as the contracting parties determine that the negotiations are completed or discontinued.

(c) It is recognized that the relationships between contracting parties under article II of this agreement involve reciprocal advantages, and therefore any contracting party whose trade is materially affected by the action may suspend the application to the trade of the applicant contracting party of substantially equivalent obligations or concessions under this agreement provided that the contracting party concerned has consulted the contracting parties before taking such action and the contracting parties do not disapprove.

B

5. In the case of any nondiscriminatory measure affecting imports which would apply to any product in respect of which the contracting party has assumed an obligation under article II of this agreement and which would conflict with any other provision of

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(a) Shall enter into direct negotiations with all the other members which have contractual rights. The members shall be free to proceed in accordance with the terms of any agreement resulting from such negotiations, provided that the Organization is informed thereof; or

(b) Shall initially or may, in the event of failure to reach agreement under subparagraph (a), apply to the Organization. The Organization shall determine, from among members which have contractual rights, the member or members materially affected by the proposed measure and shall sponsor negotiations between such member or members and the applicant member with a view to obtaining expeditious and substantial agreement. The Organization shall establish and communicate to the members concerned a time schedule for such negotiations, following as far as practicable any time schedule which may have been proposed by the applicant member. The members shall commence and proceed continuously with such negotiations in accordance with the time schedule established by the Organization. At the request of a member the Organization may, where it concurs in principle with the proposed measure, assist in the negotiations. Upon substantial agreement being reached the applicant member may be released by the Organization from the obligation referred to in this paragraph, subject to such limitations as may have been agreed upon in the negotiations between the members concerned.

4. (a) If as a result of action initiated under paragraph 3, there should be an increase in imports of any product concerned, including products which can be directly substituted therefor, which if continued would be so great as to jeopardize the establishment, development, or reconstruction of the industry, or branch of agriculture concerned, and if no preventive measures consistent with the provisions of this charter can be found which seem likely to prove effective, the applicant member may, after informing, and when practicable consulting with, the Organization, adopt such other measures as the situation may require, provided that such measures do not restrict imports more than necessary to offset the increase to imports referred to in this subparagraph; except in unusual circumstances, such measures shall not reduce imports below the level obtaining in the most recent representative period preceding the date on which the member initiated action under paragraph 3.

(b) The Organization shall determine, as soon as practicable, whether any such measure should be continued, discontinued, or modified. It shall in any case be terminated as soon as the Organization determines that the negotiations are completed or discontinued.

(c) It is recognized that the contractual relationships referred to in paragraph 3 involve reciprocal advantages, and therefore any member which has a contractual right in respect of the product to which such action relates, and whose trade is materially affected by the action, may suspend the application to the trade of the applicant member of substantially equivalent obligations or concessions under or pursuant to chapter IV, provided that the member concerned has consulted the Organization before taking such action and the Organization does not disapprove.

B

5. In the case of any nondiscriminatory measure affecting imports which would conflict with chapter IV and which would apply to any product in respect of which the member has assumed an obligation through negotiations with any other member or mem-

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this agreement, the provisions of subparagraph (b) of paragraph 3 shall apply; provided that before granting a release the contracting parties shall afford adequate opportunity for all contracting parties which they determine to be materially affected to express their views. The provisions of paragraph 4 shall also be applicable in this case.

C

6. If a contracting party in the interest of its economic development or reconstruction considers it desirable to adopt any nondiscriminatory measure affecting imports which would conflict with the provisions of this agreement other than article II, but which would not apply to any product in respect of which the contracting party has assumed an obligation under article II, such contracting party shall notify the contracting parties and shall transmit to the contracting parties a written statement of the considerations in support of the adoption, for a specified period, of the proposed measure.

7. (a) On application by such contracting party the contracting parties shall concur in the proposed measure and grant the necessary release for a specified period if, having particular regard to the applicant contracting party's need for economic development or reconstruction, it is established that the measure

(i) Is designed to protect a particular industry established between January 1, 1939, and March 24, 1948, which was protected during that period of its development by abnormal conditions arising out of the war; or

(ii) Is designed to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, when the external sales of such commodity have been materially reduced as a result of new or increased restrictions imposed abroad; or

(iii) Is necessary in view of the possibilities and resources of the applicant contracting party to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, or for the processing of a byproduct of such industry, which would otherwise be wasted, in order to achieve a fuller and more economic use of the applicant contracting party's natural resources and manpower and, in the long run, to raise the standard of living within the territory of the applicant contracting party, and is unlikely to have a harmful effect, in the long run, on international trade; or

(iv) Is unlikely to be more restrictive of international trade than any other practicable and reasonable measure permitted under this agreement, which could be imposed without undue difficulty, and is the one most suitable for the purpose having regard to the economies of the industry or branch of agriculture concerned and to the applicant contracting party's need for economic development or reconstruction.

The foregoing provisions of this subparagraph are subject to the following condition:

(1) Any proposal by the applicant contracting party to apply any such measure, with or without modification, after the end of the initial period, shall not be subject to the provisions of this paragraph; and

(2) The contracting parties shall not concur in any measure under the provisions of (i), (ii), or (iii) above, which is likely to cause serious prejudice to exports of a primary commodity on which the economy of the territory of another contracting party is largely dependent.

(b) The applicant contracting party shall apply any measure permitted under subparagraph (a) in such a way as to avoid unnecessary damage to the commercial or economic interests of any other contracting party.

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bers pursuant to chapter IV, the provisions of subparagraph (b) of paragraph 3 shall apply: *Provided*, That before granting a release the Organization shall afford adequate opportunity for all members which it determines to be materially affected to express their views. The provisions of paragraph 4 shall also be applicable in this case.

C

6. If a member in the interest of its economic development or reconstruction considers it desirable to adopt any nondiscriminatory measure affecting imports which would conflict with chapter IV, but which would not apply to any product in respect of which the member has assumed an obligation through negotiations with any other member or members pursuant to chapter IV, such member shall notify the Organization and shall transmit to the Organization a written statement of the considerations in support of the adoption, for a specified period, of the proposed measure.

7. (a) On application by such member the Organization shall concur in the proposed measure and grant the necessary release for a specified period if, having particular regard to the applicant member's need for economic development or reconstruction, it is established that the measure

(i) Is designed to protect a particular industry, established between January 1, 1939, and the date of this charter, which was protected during that period of its development by abnormal conditions arising out of the war; or

(ii) Is designed to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, when the external sales of such commodity have been materially reduced as a result of new or increased restrictions imposed abroad; or

(iii) Is necessary, in view of the possibilities and resources of the applicant member to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, or for the processing of a byproduct of such industry, which would otherwise be wasted, in order to achieve a fuller and more economic use of the applicant member's natural resources and manpower and, in the long run, to raise the standard of living within the territory of the applicant member, and is unlikely to have a harmful effect, in the long run, on international trade; or

(iv) Is unlikely to be more restrictive of international trade than any other practicable and reasonable measure permitted under this charter, which could be imposed without undue difficulty, and is the one most suitable for the purpose having regard to the economics of the industry or branch of agriculture concerned and to the applicant member's need for economic development or reconstruction.

The foregoing provisions of this subparagraph are subject to the following conditions:

(1) Any proposal by the applicant member to apply any such measure, with or without modification, after the end of the initial period, shall not be subject to the provisions of this paragraph; and

(2) The Organization shall not concur in any measure under the provisions of (i), (ii), or (iii) above, which is likely to cause serious prejudice to exports of a primary commodity on which the economy of another member country is largely dependent.

(b) The applicant member shall apply any measure permitted under subparagraph (a) in such a way as to avoid unnecessary damage to the commercial or economic interests of any other member, including interests under the provisions of articles 3 and 9.

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8. If the proposed measure does not fall within the provisions of paragraph 7, the contracting party

(a) May enter into direct consultations with the contracting party or parties which, in its judgment, would be materially affected by the measure. At the same time, the contracting party shall inform the contracting parties of such consultations in order to afford them an opportunity to determine whether all materially affected contracting parties are included within the consultations. Upon complete or substantial agreement being reached, the contracting party interested in taking the measure shall apply to the contracting parties. The contracting parties shall promptly examine the application to ascertain whether the interests of all the materially affected contracting parties have been duly taken into account. If the contracting parties reach this conclusion, with or without further consultations between the contracting parties concerned, they shall release the applicant contracting party from its obligations under the relevant provision of this agreement, subject to such limitations as the contracting parties may impose, or

(b) May initially, or in the event of failure to reach complete or substantial agreement under subparagraph (a), apply to the contracting parties. The contracting parties shall promptly transmit the statement submitted under paragraph 6 to the contracting party or parties which are determined by the contracting parties to be materially affected by the proposed measure. Such contracting party or parties shall, within the time limits prescribed by the contracting parties, inform them whether, in the light of the anticipated effects of the proposed measure on the economy of the territory of such contracting party or parties, there is any objection to the proposed measure. The contracting parties shall,

(i) If there is no objection to the proposed measure on the part of the affected contracting party or parties, immediately release the applicant contracting party from its obligations under the relevant provision of this agreement; or

(ii) If there is objection, promptly examine the proposed measure, having regard to the provisions of this agreement, to the considerations presented by the applicant contracting party and its need for economic development or reconstruction, to the views of the contracting party or parties determined to be materially affected, and to the effect which the proposed measure, with or without modification is likely to have, immediately and in the long run, or international trade, and, in the long run, on the standard of living within the territory of the applicant contracting party. If, as a result of such examination, the contracting parties concur in the proposed measure, with or without modification, they shall release the applicant contracting party from its obligations under the relevant provision of this agreement, subject to such limitations as they may impose.

9. If, in anticipation of the concurrence of the contracting parties in the adoption of a measure referred to in paragraph 6, there should be an increase or threatened increase in the imports of any product concerned, including products which can be directly substituted therefor, so substantial as to jeopardize the establishment, development, or reconstruction of the industry or branch of agriculture concerned, and if no preventive measures consistent with this agreement can be found which seem likely to prove effective, the applicant contracting party may, after informing, and when practicable consulting with, the contracting parties, adopt such other measures as the situation may require, pending a decision by the contracting parties

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8. If the proposed measure does not fall within the provisions of paragraph 7, the member

(a) May enter into direct consultations with the member or members which, in its judgment, would be materially affected by the measure. At the same time, the member shall inform the Organization of such consultations in order to afford it an opportunity to determine whether all materially affected members are included within the consultations. Upon complete or substantial agreement being reached, the member interested in taking the measure shall apply to the Organization. The Organization shall promptly examine the application to ascertain whether the interests of all the materially affected members have been duly taken into account. If the Organization reaches this conclusion, with or without further consultations between the members concerned, it shall release the applicant member from its obligations under the relevant provision of chapter IV, subject to such limitations as the Organization may impose; or

(b) May initially, or in the event of failure to reach complete or substantial agreement under subparagraph (a), apply to the Organization. The Organization shall promptly transmit the statement submitted under paragraph 6 to the member or members which are determined by the Organization to be materially affected by the proposed measure. Such member or members shall, within the time limits prescribed by the Organization, inform it whether in the light of the anticipated effects of the proposed measure on the economy of such member country or countries, there is any objection to the proposed measure. The Organization shall,

(i) If there is no objection to the proposed measure on the part of the affected member or members, immediately release the applicant member from its obligations under the relevant provision of chapter IV; or

(ii) If there is objection, promptly examine the proposed measure, having regard to the provisions of this charter, to the considerations presented by the applicant member and its need for economic development or reconstruction, to the views of the member or members determined to be materially affected, and to the effect which the proposed measure, with or without modification, is likely to have, immediately and in the long run, on international trade, and, in the long run, on the standard of living within the territory of the applicant member. If, as a result of such examination, the Organization concurs in the proposed measure, with or without modification, it shall release the applicant member from its obligations under the relevant provision of chapter IV, subject to such limitations as it may impose.

9. If, in anticipation of the concurrence of the Organization in the adoption of a measure referred to in paragraph 6, there should be an increase or threatened increase in the imports of any product concerned, including products which can be directly substituted therefor, so substantial as to jeopardize the establishment, development or reconstruction of the industry or branch of agriculture concerned, and if no preventive measures consistent with this charter can be found which seem likely to prove effective, the applicant member may, after informing, and when practicable consulting with, the Organization, adopt such other measures as the situation may require, pending a decision by the Organization on the member's applica-

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on the contracting party's application: *Provided*, That such measures do not reduce imports below the level obtaining in the most recent representative period preceding the date on which notification was given under paragraph 6.

10. The contracting parties shall, at the earliest opportunity but ordinarily within 15 days after receipt of an application under the provisions of paragraph 7 or subparagraph (a) or (b) of paragraph 8, advise the applicant contracting party of the date by which it will be notified whether or not it is released from the relevant obligation. This shall be the earliest practicable date and not later than 90 days after receipt of such application: *Provided*, That, if unforeseen difficulties arise before the date set, the period may be extended after consultation with the applicant contracting party. If the applicant contracting party is not so notified by the date set, it may, after informing the contracting parties, institute the proposed measure.

11. Any contracting party may maintain any nondiscriminatory protective measure affecting imports in force on September 1, 1947, which has been imposed for the establishment, development, or reconstruction of a particular industry or branch of agriculture and which is not otherwise permitted by this agreement: *Provided*, That notification has been given to the other contracting parties not later than October 10, 1947, of such measure and of each product on which it is to be maintained and of its nature and purpose.

12. Any contracting party maintaining such measure shall within 60 days of becoming a contracting party submit to the contracting parties a statement of the considerations in support of the maintenance of the measure and the period for which it wishes to maintain it. The contracting parties shall, as soon as possible, but in any case within 12 months from the date on which such contracting party becomes a contracting party, examine and give a decision concerning the measure as if it had been submitted to the contracting parties for their concurrence under paragraphs 1 to 10, inclusive, of this article.

13. The provisions of paragraphs 11 and 12 of this article shall not apply to any measure relating to a product in respect of which the contracting party has assumed an obligation under article II of this agreement.

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tion: *Provided*, That such measures do not reduce imports below the level obtaining in the most recent representative period preceding the date on which notification was given under paragraph 6.

10. The Organization shall, at the earliest opportunity but ordinarily within 15 days after receipt of an application under the provisions of paragraph 7 or subparagraph (a) or (b) of paragraph 8, advise the applicant member of the date by which it will be notified whether or not it is released from the relevant obligation. This shall be the earliest practicable date and not later than 90 days after receipt of such application: *Provided*, That, if unforeseen difficulties arise before the date set, the period may be extended after consultation with the applicant member. If the applicant member is not so notified by the date set, it may, after informing the Organization, institute the proposed measure.

ARTICLE 14. TRANSITIONAL MEASURES

1. Any member may maintain any nondiscriminatory protective measure affecting imports which has been imposed for the establishment, development, or reconstruction of a particular industry or branch of agriculture and which is not otherwise permitted by this charter, provided that notification has been given of such measure and of each product to which it relates:

(a) In the case of a member signatory to the final act of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment, not later than October 10, 1947, in respect of measures in force on September 1, 1947, subject to decisions made under paragraph 6 of article XVIII of the General Agreement on Tariffs and Trade; except that if in special circumstances the contracting parties to that agreement agree to dates other than those specified in this subparagraph, such other dates shall apply;

(b) In the case of any other member, not later than the day on which it deposits its instrument of acceptance of this charter, in respect of measures in force on that day or on the day of the entry into force of the charter, whichever is the earlier;

and provided further that notification has been given under subparagraph (a) to the other signatories to the final act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment and under subparagraph (b) to the Organization, or, if the charter has not entered into force on the day of such notification, to the signatories to the final act of the United Nations Conference on Trade and Employment.

2. Any member maintaining any such measure, other than a measure approved by the contracting parties to the general agreement under paragraph 6 of article XVIII of that agreement, shall, within 1 month of becoming a member of the Organization, submit to it a statement of the considerations in support of the maintenance of the measure and the period for which it wishes to maintain it. The Organization shall, as soon as possible, but in any case within 12 months of such member becoming a member of the Organization, examine and give a decision concerning the measure as if it had been submitted to the Organization for its concurrence under article 13.

3. Any measure, approved in accordance with the provisions of article XVIII of the general agreement, and which is in effect at the time this charter enters into force, may remain in effect thereafter, subject to the conditions of any such approval and, if the

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14. In cases where the contracting parties decide that a measure should be modified or withdrawn by a specified date, they shall have regard to the possible need of a contracting party for a period of time in which to make such modification or withdrawal.

AD ARTICLE XVIII

(From annex I)

Paragraph 3

The clause referring to the increasing of a most-favored-nation rate in connection with a new preferential agreement will only apply after the insertion in article I of the new paragraph 3 by the entry into force of the amendment provided for in the protocol modifying part I and article XXIX of the General Agreement on Tariffs and Trade, dated September 14, 1948.

Paragraph 7 (a) (ii) and (iii)

The word "processing," as used in these subparagraphs, means the transformation of a primary commodity or of a byproduct of such transformation into semifinished or finished goods but does not refer to highly developed industrial processes.

ARTICLE XIX. EMERGENCY ACTION ON IMPORTS OF PARTICULAR PRODUCTS

1. (a) If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(b) If any product, which is the subject of a concession with respect to a preference, is being imported into the territory of a contracting party in the circumstances set forth in subparagraph (a) of this paragraph, so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a contracting party which receives or received such preference, the importing contracting party shall be free, if that other contracting party so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

2. Before any contracting party shall take action pursuant to the provisions of paragraph 1 of this article, it shall give notice in writing to the contracting parties as far in advance as may be practicable and shall afford the contracting parties and those contracting parties having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in relation to a concession with respect to a preference, the notice shall name the contracting party which has requested the action. In critical circumstances, where delay would cause damage which it would be difficult to repair, action under paragraph 1 of this article may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

3. (a) If agreement among the interested contracting parties with respect to the action

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Organization so decides, to review by the Organization.

4. This article shall not apply to any measure relating to a product in respect of which the member has assumed an obligation through negotiations pursuant to chapter IV.

5. In cases where the Organization decides that a measure should be modified or withdrawn by a specified date, it shall have regard to the possible need of a member for a period of time in which to make such modification or withdrawal.

AD ARTICLE 13

(From annex P)

Paragraphs 7 (a) (ii) and (iii)

The word "processing," as used in these subparagraphs, means the transformation of a primary commodity or of a byproduct of such transformation into semifinished or finished goods but does not refer to highly developed industrial processes

ARTICLE 40. EMERGENCY ACTION ON IMPORTS OF PARTICULAR PRODUCTS

1. (a) If, as a result of unforeseen developments and of the effect of the obligations incurred by a member under or pursuant to this chapter, including tariff concessions, any product is being imported into the territory of that member in such relatively increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the member shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(b) If any product which is the subject of a concession with respect to a preference is being imported into the territory of a member in the circumstances set forth in subparagraph (a), so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a member which receives or received such preference, the importing member shall be free, if that other member so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

2. Before any member shall take action pursuant to the provisions of paragraph 1, it shall give notice in writing to the organization as far in advance as may be practicable and shall afford the organization and those members having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in regard to a concession relating to a preference, the notice shall name the member which has requested the action. In circumstances of special urgency, where delay would cause damage which it would be difficult to repair, action under paragraph 1 may be taken provisionally without prior consultation on the condition that consultation shall be effected immediately after taking such action.

3. (a) If agreement among the interested members with respect to the action is not

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is not reached, the contracting party which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected contracting parties shall then be free, not later than 90 days after such action is taken, to suspend, upon the expiration of 30 days from the day on which written notice of such suspension is received by the contracting parties, the application to the trade of the contracting party taking such action, or, in the case envisaged in paragraph 1 (b) of this article, to the trade of the contracting party requesting such action, of such substantially equivalent obligations or concessions under this agreement the suspension of which the contracting parties do not disapprove.

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph, where action is taken under paragraph 2 of this article without prior consultation and causes or threatens serious injury in the territory of a contracting party to the domestic producers of products affected by the action, that contracting party shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury.

ARTICLE XX. GENERAL EXCEPTIONS

Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

I. (a) necessary to protect public morals;

(b) necessary to protect human, animal or plant life or health;

(c) relating to the importation or exportation of gold or silver;

(d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this agreement, including those relating to customs enforcement, the enforcement of monopolies operated under paragraph 4 of article II and article XVII, the protection of patents, trademarks and copyrights, and the prevention of deceptive practices;

(e) relating to the products of prison labor;

(f) imposed for the protection of national treasures of artistic, historic, or archeological value;

(g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;

(h) undertaken in pursuance of obligations under intergovernmental commodity agreements, conforming to the principles approved

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reached, the member which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected members shall then be free, not later than 90 days after such action is taken, to suspend, upon the expiration of 30 days from the day on which written notice of such suspension is received by the Organization, the application to the trade of the member taking such action, or, in the case envisaged in paragraph 1 (b), to the trade of the member requesting such action, of such substantially equivalent obligations or concessions under or pursuant to this chapter the suspension of which the Organization does not disapprove.

(b) Notwithstanding the provisions of subparagraph (d), where action is taken without prior consultation under paragraph 2 and causes or threatens serious injury in the territory of a member to the domestic producers of products affected by the action, that member shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury.

4. Nothing in this article shall be construed

(a) to require any member, in connection with the withdrawal or modification by such member of any concession negotiated pursuant to article 17, to consult with or obtain the agreement of members other than those members which are contracting parties to the general agreement on tariffs and trade, or

(b) to authorize any member which is not a contracting party to that agreement, to withdraw from or suspend obligations under this charter by reason of the withdrawal or modification of such concession.

AD ARTICLE 40

(From annex P)

It is understood that any suspension, withdrawal, or modification under paragraphs 1 (a), 1 (b), and 3 (b) must not discriminate against imports from any member country, and that such action should avoid, to the fullest extent possible, injury to other supplying member countries.

ARTICLE 45. GENERAL EXCEPTIONS TO CHAPTER IV

1. Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between member countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this chapter shall be construed to prevent the adoption or enforcement by any member of measures:

(a) (i) necessary to protect public morals;

(ii) necessary to the enforcement of laws and regulations relating to public safety;

(iii) necessary to protect human, animal, or plant life or health;

(iv) relating to the importation or exportation of gold or silver;

(v) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this chapter, including those relating to customs enforcement, the enforcement of monopolies operated under section D of this chapter, the protection of patents, trade-marks and copyrights, and the prevention of deceptive practices;

(vi) relating to the products of prison labor;

(vii) imposed for the protection of national treasures of artistic, historic, or archeological value;

(viii) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;

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by the Economic and Social Council of the United Nations in its resolution of March 28, 1947, establishing an interim coordinating committee for international commodity arrangements; or

(i) involving restrictions on exports of domestic materials necessary to assure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan: *Provided*, That such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry, and shall not depart from the provisions of this agreement relating to nondiscrimination;

II. (a) essential to the acquisition or distribution of products in general or local short supply: *Provided*, That any such measures shall be consistent with any multilateral arrangements directed to an equitable international distribution of such products or, in the absence of such arrangements, with the principle that all contracting parties are entitled to an equitable share of the international supply of such products;

(b) essential to the control of prices by a contracting party undergoing shortages subsequent to the war; or

(c) essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any contracting party or of industries developed in the territory of any contracting party owing to the exigencies of the war which it would be uneconomic to maintain in normal conditions: *Provided*, That such measures shall not be instituted by any contracting party except after consultation with other interested contracting parties with a view to appropriate international action.

Measures instituted or maintained under part II of this article which are inconsistent with the other provisions of this agreement shall be removed as soon as the conditions giving rise to them have ceased, and in any event not later than January 1, 1951: *Provided*, That this period may, with the concurrence of the contracting parties, be extended in respect of the application of any particular measure to any particular product by any particular contracting party for such further periods as the contracting parties may specify.

TRADE

ARTICLE XXI. SECURITY EXCEPTIONS

Nothing in this agreement shall be construed

(a) to require any contracting party to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests.

(i) relating to fissionable materials or the materials from which they are derived;

(ii) relating to the traffic in arms, ammunition, and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;

(iii) taken in time of war or other emergency in international relations; or

(c) to prevent any contracting party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

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(ix) taken in pursuance of intergovernmental commodity agreements concluded in accordance with the provisions of chapter VI;

(x) taken in pursuance of any intergovernmental agreement which relates solely to the conservation of fisheries resources, migratory birds or wild animals and which is subject to the requirements of paragraph 1 (d) of article 70; or

(xi) involving restrictions on exports of domestic materials necessary to assure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan: *Provided*, That such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry and shall not depart from the provisions of this chapter relating to nondiscrimination;

(b) (i) essential to the acquisition or distribution of products in general or local short supply: *Provided*, That any such measures shall be consistent with any general intergovernmental arrangements directed to an equitable international distribution of such products or, in the absence of such arrangements, with the principle that all members are entitled to an equitable share of the international supply of such products;

(ii) essential to the control of prices by a member country experiencing shortages subsequent to the Second World War; or

(iii) essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any member country, or of industries developed in any member country owing to the exigencies of the Second World War which it would be uneconomic to maintain in normal conditions: *Provided*, That such measures shall not be instituted by any member except after consultation with other interested members with a view to appropriate international action.

2. Measures instituted or maintained under paragraph 1 (b) which are inconsistent with the other provisions of this chapter shall be removed as soon as the conditions giving rise to them have ceased, and in any event not later than at a date to be specified by the Organization: *Provided*, That such date may be deferred for a further period or periods, with the concurrence of the Organization, either generally or in relation to particular measures taken by members in respect of particular products.

ARTICLE 99. GENERAL EXCEPTIONS

1. Nothing in this charter shall be construed

(a) to require a member to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(b) to prevent a member from taking, either singly or with other states, any action which it considers necessary for the protection of its essential security interests, where such action

(i) relates to fissionable materials or to the materials from which they are derived, or—

(ii) relates to the traffic in arms, ammunition, or implements of war, or to traffic in other goods and materials carried on directly or indirectly for the purpose of supplying a military establishment of the member or of any other country, or

(iii) is taken in time of war or other emergency in international relations; or

(c) to prevent a member from entering into or carrying out any intergovernmental agreement (or other agreement on behalf of a government for the purpose specified in this subparagraph) made by or for a military establishment for the purpose of meeting essential requirements of the national security of one or more of the participating countries; or

(d) to prevent action taken in accordance with the provisions of annex M to this charter.

2. Nothing in this charter shall be construed to override

(a) any of the provisions of peace treaties or permanent settlements resulting from the Second World War which are or shall be in force and which are or shall be registered with the United Nations, or

(b) any of the provisions of instruments creating trust territories or any other special regimes established by the United Nations.

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ARTICLE XXII. CONSULTATION

Each contracting party shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation regarding, such representations as may be made by any other contracting party with respect to the operation of customs regulations and formalities, antidumping and countervailing duties, quantitative and exchange regulations, subsidies, state-trading operations, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally all matters affecting the operation of this agreement.

ARTICLE XXIII. NULLIFICATION OR IMPAIRMENT

1. If any contracting party should consider that any benefit accruing to it directly or indirectly under this agreement is being nullified or impaired or that the attainment of any objective of the agreement is being impeded as the result of (a) the failure of another contracting party to carry out its obligations under this agreement, or (b) the application by another contracting party of any measure, whether or not it conflicts with the provisions of this agreement, or (c) the existence of any other situation, the contracting party may, with a view to the satisfactory adjustment of the matter, make written representations or proposals to the other contracting party or parties which it considers to be concerned. Any contracting party thus approached shall give sympathetic consideration to the representations or proposals made to it.

2. If no satisfactory adjustment is effected between the contracting parties concerned within a reasonable time, or if the difficulty is of the type described in paragraph 1 (c) of this article, the matter may be referred to the contracting parties. The contracting parties shall promptly investigate any matter so referred to them and shall make appropriate recommendations to the contracting parties which they consider to be concerned, or give a ruling on the matter, as appropriate. The contracting parties may consult with contracting parties, with the Economic and Social Council of the United Nations and with any appropriate intergovernmental organization in cases where they consider such consultation necessary. If the contracting parties consider that the circumstances are serious enough to justify such action, they may authorize a contracting party or parties to suspend the application to any other contracting party or par-

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ARTICLE 41. CONSULTATION

Each member shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation regarding, such representations as may be made by any other member with respect to the operation of customs regulations and formalities, antidumping and countervailing duties, quantitative and exchange regulations, internal price regulations, subsidies, transit regulations and practices, state trading, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally with respect to all matters affecting the operation of this chapter.

AD ARTICLE 41

(From annex P)

The provisions for consultation require members subject to the exceptions specifically set forth in this charter, to supply to other members, upon request, such information as will enable a full and fair appraisal of the matters which are the subject of such consultation, including the operation of sanitary laws and regulations for the protection of human, animal, or plant life or health, and other matters affecting the application of chapter IV.

ARTICLE 92. RELIANCE ON THE PROCEDURES OF THE CHARTER

1. The members undertake that they will not have recourse, in relation to other members and to the Organization, to any procedure other than the procedures envisaged in this charter for complaints and the settlement of differences arising out of its operation.

2. The members also undertake, without prejudice to any other international agreement, that they will not have recourse to unilateral economic measures of any kind contrary to the provisions of this charter.

ARTICLE 93. CONSULTATION AND ARBITRATION

1. If any member considers that any benefit accruing to it directly or indirectly, implicitly or explicitly, under any of the provisions of this charter other than article 1, is being nullified or impaired as a result of

(a) a breach by a member of an obligation under this charter by action or failure to act, or

(b) the application by a member of a measure not conflicting with the provisions of this charter, or

(c) the existence of any other situation

the member may, with a view to the satisfactory adjustment of the matter, make written representations or proposals to such other member or members as it considers to be concerned, and the members receiving them shall give sympathetic consideration thereto.

2. The member concerned may submit the matter arising under paragraph 1 to arbitration upon terms agreed between them: *Provided*, That the decision of the arbitrator shall not be binding for any purpose upon the Organization or upon any member other than the members participating in the arbitration.

ties of such obligations or concessions under this agreement as they determine to be appropriate in the circumstances. If the application to any contracting party of any obligation or concession is in fact suspended, that contracting party shall then be free, not later than 60 days after such action is taken, to advise the Secretary-General of the United Nations in writing of its intention to withdraw from this agreement and such withdrawal shall take effect upon the expiration of 60 days from the day on which written notice of such withdrawal is received by him.

3. The members concerned shall inform the Organization generally of the progress and outcome of any discussion, consultation, or arbitration undertaken under this charter.

ARTICLE 94. REFERENCE TO THE EXECUTIVE BOARD

1. Any matter arising under subparagraph (a) or (b) of paragraph 1 of article 93 which is not satisfactorily settled and any matter which arises under paragraph 1 (c) of article 93 may be referred by any member concerned to the executive board.

2. The executive board shall promptly investigate the matter and shall decide whether any nullification or impairment within the terms of paragraph 1 of article 93 in fact exists. It shall then take such of the following steps as may be appropriate:

(a) decide that the matter does not call for any action;

(b) recommend further consultation to the members concerned;

(c) refer the matter to arbitration upon such terms as may be agreed between the executive board and the members concerned;

(d) in any matter arising under paragraph 1 (a) of article 93, request the member concerned to take such action as may be necessary for the member to conform to the provisions of this charter;

(e) In any matter arising under subparagraph (b) or (c) of paragraph 1 of article 93, make such recommendations to members as will best assist the members concerned and contribute to a satisfactory adjustment.

3. If the executive board considers that action under subparagraphs (d) and (e) of paragraph 2 is not likely to be effective in time to prevent serious injury and that any nullification or impairment found to exist within the terms of paragraph 1 of article 93 is sufficiently serious to justify such action, it may, subject to the provisions of paragraph 1 of article 95, release the member or members affected from obligations or the grant of concessions to any other member or members under or pursuant to this charter, to the extent and upon such conditions as it considers appropriate and compensatory, having regard to the benefit which has been nullified or impaired.

4. The executive board may, in the course of its investigation, consult with such members or intergovernmental organizations upon such matters within the scope of this charter as it deems appropriate. It may also consult any appropriate commission of the Organization on any matter arising under this chapter.

5. The executive board may bring any matter referred to it under this article before the conference at any time during its consideration of the matter.

ARTICLE 95. REFERENCE TO THE CONFERENCE

1. The executive board shall, if requested to do so within 30 days by a member concerned, refer to the conference for review any action, decision, or recommendation by the executive board under paragraph 2 or 3 of article 94. Unless such review has been asked for by a member concerned, members shall be entitled to act in accordance with any action, decision, or recommendation of the executive board under paragraph 2 or 3 of article 94. The conference shall confirm, modify, or reverse such action, decision, or recommendation referred to it under this paragraph.

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2. Where a matter arising under this chapter has been brought before the conference by the executive board, the conference shall follow the procedure set out in paragraph 2 of article 94 for the executive board.

3. If the conference considers that any nullification or impairment found to exist within the terms of paragraph 1 (a) of article 93 is sufficiently serious to justify such action, it may release the member or members affected from obligations or the grant of concessions to any other member or members under or pursuant to this charter, to the extent and upon such conditions as it considers appropriate and compensatory, having regard to the benefit which has been nullified or impaired. If the conference considers that any nullification or impairment found to exist within the terms of subparagraph (b) or (c) of paragraph 1 of article 93 is sufficiently serious to justify such action, it may similarly release a member or members to the extent and upon such conditions as will best assist the members concerned and contribute to a satisfactory adjustment.

4. When any member or members, in accordance with the provisions of paragraph 3, suspend the performance of any obligation or the grant of any concession to another member, the latter member shall be free, not later than 60 days after such action is taken, or if an opinion has been requested from the International Court of Justice pursuant to the provisions of article 96, after such opinion has been delivered, to give written notice of its withdrawal from the Organization. Such withdrawal shall become effective upon the expiration of 60 days from the day on which such notice is received by the Director-General.

ARTICLE 96. REFERENCE TO THE INTERNATIONAL COURT OF JUSTICE

1. The Organization may, in accordance with arrangements made pursuant to paragraph 2 of article 96 of the Charter of the United Nations, request from the International Court of Justice advisory opinions on legal questions arising within the scope of the activities of the Organization.

2. Any decision of the conference under this charter shall, at the instance of any member whose interests are prejudiced by the decision, be subject to review by the International Court of Justice by means of a request, in appropriate form, for an advisory opinion pursuant to the statute of the Court.

3. The request for an opinion shall be accompanied by a statement of the question upon which the opinion is required and by all documents likely to throw light upon the question. This statement shall be furnished by the Organization in accordance with the statute of the Court and after consultation with the members substantially interested.

4. Pending the delivery of the opinion of the Court, the decision of the conference shall have full force and effect: *Provided*, That the conference shall suspend the operation of any such decision pending the delivery of the opinion where, in the view of the conference, damage difficult to repair would otherwise be caused to a member concerned.

5. The Organization shall consider itself bound by the opinion of the Court on any question referred by it to the Court. Insofar as it does not accord with the opinion of the Court, the decision in question shall be modified.

ARTICLE 97. MISCELLANEOUS PROVISIONS

1. Nothing in this chapter shall be construed to exclude other procedures provided for in this chapter for consultation and the settlement of differences arising out of its operation. The Organization may regard discussion, consultation or investigation undertaken under any other provisions of this charter as fulfilling, either in whole or in

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ARTICLE XXIV. TERRITORIAL APPLICATION—FRONTIER TRAFFIC—CUSTOMS UNIONS AND FREE-TRADE AREAS

1. The provisions of this agreement shall apply to the metropolitan customs territories of the contracting parties and to any other customs territories in respect of which this agreement has been accepted under article XXVI or is being applied under article XXXIII or pursuant to the Protocol of Provisional Application. Each such customs territory shall, exclusively for the purposes of the territorial application of this agreement, be treated as though it were a contracting party: *Provided*, That the provisions of this paragraph shall not be construed to create any rights or obligations as between two or more customs territories in respect of which this agreement has been accepted under article XXVI or is being applied under article XXXIII or pursuant to the Protocol of Provisional Application by a single contracting party.

2. For the purposes of this agreement a customs territory shall be understood to mean any territory with respect to which separate tariffs or other regulations of commerce are maintained for a substantial part of the trade of such territory with other territories.

3. The provisions of this agreement shall not be construed to prevent:

(a) Advantages accorded by any contracting party to adjacent countries in order to facilitate frontier traffic;

(b) advantages accorded to the trade with the Free Territory of Trieste by countries contiguous to that territory, provided that such advantages are not in conflict with the treaties of peace arising out of the Second World War.

4. The contracting parties recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or of a free-trade area should be to facilitate trade between the parties and not to raise barriers to the trade of other contracting parties with such parties.

5. Accordingly, the provisions of this agreement shall not prevent, as between the territories of contracting parties, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area: *Provided*, That

(a) with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with contracting parties not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

(b) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the formation of such free-trade area or

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part, any similar procedural requirement in this chapter.

2. The conference and the executice board shall establish such rules of procedure as may be necessary to carry out the provisions of this chapter.

ARTICLE 42. TERRITORIAL APPLICATION OF CHAPTER IV

1. The provisions of chapter IV shall apply to the metropolitan customs territories of the members and to any other customs territories in respect of which this charter has been accepted in accordance with the provisions of article 104. Each such customs territory shall, exclusively for the purposes of the territorial application of chapter IV, be treated as though it were a member: *Provided*, That the provisions of this paragraph shall not be construed to create any rights or obligations as between two or more customs territories in respect of which this charter has been accepted by a single member.

2. For the purposes of this chapter a customs territory shall be understood to mean any territory with respect to which separate tariffs or other regulations of commerce are maintained for a substantial part of the trade of such territory wtih other territories.

ARTICLE 43. FRONTIER TRAFFIC

The provisions of this chapter shall not be construed to prevent:

(a) advantages accorded by any member to adjacent countries in order to facilitate frontier traffic;

(b) advantages accorded to the trade with the Free Territory of Trieste by countries contiguous to that territory, provided that such advantges are not in conflict with the treaties of peace arising out of the Second World War.

ARTICLE 44. CUSTOMS UNIONS AND FREE-TRADE AREAS

1. Members recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a custom union or free-trade area should be to facilitate trade between the parties and not to raise barriers to the trade of other member countries with such parties.

2. Accordingly, the provisions of this chapter shall not prevent, as between the territories of members, the formation of a customs union or a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade are: *Provided*, That

(a) with respect to a customs union or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with member countries not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be.

(b) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the formation of such free-trade area or

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the adoption of such interim agreement to the trade of contracting parties not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free-trade area, or interim agreement, as the case may be; and

(c) any interim agreement referred to in subparagraphs (a) and (b) shall include a plan and schedule for the formation of such a customs union or of such a free-trade area within a reasonable length of time.

6. If in fulfilling the requirements of subparagraph 5 (a), a contracting party proposes to increase any rate of duty inconsistently with the provisions of article II, the procedure set forth in article XXVIII shall apply. In providing for compensatory adjustment, due account shall be taken of the compensation already afforded by the reductions brought about in the corresponding duty of the other constituents of the union.

7. (a) Any contracting party deciding to enter into a customs union or free-trade area, or an interim agreement leading to the formation of such a union or area, shall promptly notify the contracting parties and shall make available to them such information regarding the proposed union or area as will enable them to make such reports and recommendations to contracting parties as they may deem appropriate.

(b) If, after having studied the plan and schedule provided for in an interim agreement referred to in paragraph 5 in consultation with the parties to that agreement and taking due account of the information made available in accordance with the provisions of subparagraph (a), the contracting parties find that such agreement is not likely to result in the formation of a customs union or of a free-trade area within the period contemplated by the parties to the agreement or that such period is not a reasonable one, the contracting parties shall make recommendations to the parties to the agreement. The parties shall not maintain or put into force, as the case may be, such agreement if they are not prepared to modify it in accordance with these recommendations.

(c) Any substantial change in the plan or schedule referred to in paragraph 5 (c) shall be communicated to the contracting parties, which may request the contracting parties concerned to consult with them if the change seems likely to jeopardize or delay unduly the formation of the customs union or of the free-trade area.

8. For the purposes of this agreement:

(a) A customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

(i) duties and other restrictive regulations of commerce (except, where necessary, those permitted under arts. XI, XII, XIII, XIV, XV, and XX) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and,

(ii) subject to the provisions of paragraph 9, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;

(b) A free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under arts. XI, XII, XIII, XIV, XV, and XX) are eliminated on substantially all the trade between the constituent territories in products originating in such territories.

9. The preferences referred to in paragraph 2 of article I shall not be affected by the

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the adoption of such interim agreement to the trade of member countries not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free-trade area, or interim agreement, as the case may be; and

(c) any interim agreement referred to in subparagraph (a) or (b) shall include a plan and schedule for the formation of such a customs union or of such a free-trade area within a reasonable length of time.

3. (a) Any member deciding to enter into a customs union or free-trade area, or an interim agreement leading to the formation of such a union or area, shall promptly notify the Organization and shall make available to it such information regarding the proposed union or area as will enable the Organization to make such reports and recommendations to members as it may deem appropriate.

(b) If, after having studied the plan and schedule provided for in an interim agreement referred to in paragraph 2 in consultation with the parties to that agreement and taking due account of the information made available in accordance with the provisions of subparagraph (a), the Organization finds that such agreement is not likely to result in the formation of a customs union or of a free-trade area within the period contemplated by the parties to the agreement or that such period is not a reasonable one, the Organization shall make recommendations to the parties to the agreement. The parties shall not maintain or put into force, as the case may be, such agreement if they are not prepared to modify it in accordance with these recommendations.

(c) Any substantial change in the plan or schedule referred to in paragraph 2 (c) shall be communicated to the Organization, which may request the members concerned to consult with it if the change seems likely to jeopardize or delay unduly the formation of the customs union or of the free-trade area.

4. For the purposes of this Charter:

(a) A customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

(i) duties and other restrictive regulations of commerce (except, where necessary, those permitted under section B of ch. IV and under art. 45) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and,

(ii) subject to the provisions of paragraph 5, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;

(b) A free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under sec. B of ch. IV and under art. 45) are eliminated on substantially all the trade between the constituent territories in products originating in such territories.

5. The preferences referred to in paragraph 2 of article 16 shall not be affected by the

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formation of a customs union or of a free-trade area but may be eliminated or adjusted by means of negotiations with contracting parties affected. This procedure of negotiations with affected contracting parties shall, in particular, apply to the elimination of preferences required to conform with the provisions of paragraph 8 (a) (i) and paragraph 8 (b).

10. The contracting parties may by a two-thirds majority approve proposals which do not fully comply with the requirements of paragraphs 5 to 9, inclusive, provided that such proposals lead to the formation of a customs union or a free-trade area in the sense of this article.

11. Taking into account the exceptional circumstances arising out of the establishment of India and Pakistan as independent states and recognizing the fact that they have long constituted an economic unit, the contracting parties agree that the provisions of this agreement shall not prevent the two countries from entering into special arrangements with respect to the trade between them, pending the establishment of their mutual trade relations on a definitive basis.

12. Each contracting party shall take such reasonable measures as may be available to it to insure observance of the provisions of this agreement by the regional and local governments and authorities within its territory.

AD ARTICLE XXIV

(From annex I)

Paragraph 5

It is understood that the provisions of article I would require that, when a product which has been imported into the territory of a member of a customs union or free-trade area at a preferential rate of duty is reexported to the territory of another member of such union or area, the latter member should collect a duty equal to the difference between the duty already paid and the most-favored-nation rate.

Paragraph 11

Measures adopted by India and Pakistan in order to carry out definitive trade arrangements between them, once they have been agreed upon, might depart from particular provisions of this agreement, but these measures would in general be consistent with the objectives of the agreement.

ARTICLE XXV. JOINT ACTION BY THE CONTRACTING PARTIES

1. Representatives of the contracting parties shall meet from time to time for the purpose of giving effect to those provisions of this agreement which involve joint action and, generally, with a view to facilitating the operation and furthering the objectives of this agreement. Wherever reference is made in this agreement to the contracting parties acting jointly they are designated as the contracting parties.

2. The Secretary-General of the United Nations is requested to convene the first meet-

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formation of a customs union or of a free-trade area but may be eliminated or adjusted by means of negotiations with members affected. This procedure of negotiations with affected members shall, in particular, apply to the elimination of preferences required to conform with the provisions of paragraph 4 (a) (i) and paragraph 4 (b).

6. The Organization may, by a two-thirds majority of the members present and voting, approve proposals which do not fully comply with the requirements of the preceding paragraphs, provided that such proposals lead to the formation of a customs union or of a free-trade area in the sense of this article.

ANNEX M. SPECIAL PROVISIONS REGARDING INDIA AND PAKISTAN

(Referred to in par. 1 (d) of art. 99)

In view of the special circumstances arising out of the establishment as independent states of India and Pakistan, which have long constituted an economic unit, the provisions of this charter shall not prevent the two countries from entering into special interim agreements with respect to the trade between them, pending the establishment of their reciprocal trade relations on a definitive basis. When these relations have been established, measures adopted by these countries in order to carry out definitive agreements with respect to their reciprocal trade relations, may depart from particular provisions of the charter, provided that such measures are in general consistent with the objectives of the charter.

AD ARTICLE 44

(From annex P)

Paragraph 5

It is understood that the provisions of article 16 would require that, when a product which has been imported into the territory of a member of a customs union or free-trade area at a preferential rate of duty is reexported to the territory of another member of such union or area, the latter member should collect a duty equal to the difference between the duty already paid and the most-favored-nation rate.

No comparable provision. The ITO contemplates a formal organization with a permanent location, regular sessions, a conference, an executive board, and a Director-General, whereas the GATT merely provides for consultation between contracting parties.

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ing of the contracting parties which shall take place not later than March 1, 1948.

3. Each contracting party shall be entitled to have one vote at all meetings of the contracting parties.

4. Except as otherwise provided for in this agreement, decisions of the contracting parties shall be taken by a majority of the votes cast.

5. (a) In exceptional circumstances not elsewhere provided for in this agreement, the contracting parties may waive in obligation imposed upon a contracting party by this agreement: *Provided,* That any such decision shall be approved by a two-thirds majority of the votes cast and that such majority shall comprise more than half of the contracting parties. The contracting parties may also by such a vote (i) define certain categories of exceptional circumstances to which other voting requirements shall apply for the waiver of obligations, and (ii) prescribe such criteria as may be necessary for the application of this subparagraph.

(b) If any contracting party has failed without sufficient justification to carry out with another contracting party negotiations of the kind described in paragraph 1 of article 17 of the Habana Charter, the contracting parties may, upon complaint and after investigation, authorize the complaining contracting party to withhold from the other the concessions incorporated in the relevant schedule to this agreement. In any judgment as to whether a contracting party has so failed, the contracting parties shall have regard to all relevant circumstances, including the developmental, reconstruction, and other needs and the general fiscal structures of the contracting parties concerned and to the provisions of the Habana Charter as a whole. If in fact the concessions referred to are withheld, so as to result in the application to the trade of the other contracting party of tariffs higher than would otherwise have been applicable, such other contracting party shall then be free, within 60 days after such action becomes effective, to give written notice to withdrawal from the agreement. The withdrawal shall take effect upon the expiration of 60 days from the day on which such notice is received by the contracting parties.

(c) The provisions of subparagraph (b) shall not apply as between any two contracting parties the schedules of which contain concessions initially negotiated between such contracting parties.

(d) The provisions of subparagraphs (b) and (c) shall not apply until January 1, 1949.

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4. (a) The provisions of article 16 shall not prevent the operation of paragraph 5 (b) of article XXV of the general agreement on tariffs and trade, as amended at the first session of the contracting parties.

(b) If a member has failed to become a contracting party to the general agreement within 2 years from the entry into force of this charter with respect to such member, the provisions of article 16 shall cease to require, at the end of that period, the application to the trade of such member country of the concessions granted, in the appropriate schedule annexed to the general agreement, by another member which has requested the first member to negotiate with a view to becoming a contracting party to the general agreement but has not successfully concluded negotiations: *Provided,* That the Organization may, by a majority of the votes cast, require the continued application of such concessions to the trade of any member country which has been unreasonably prevented from becoming a contracting party to the general agreement pursuant to negotiations in accordance with the provisions of this article.

(c) If a member which is a contracting party to the general agreement proposes to withhold tariff concessions from the trade of a member country which is not a contracting party, it shall give notice in writing to the Organization and to the affected member. The latter member may request the Organization to require the continuance of such concessions, and if such a request has been made, the tariff concession shall not be withheld pending a decision by the Organization under the provisions of subparagraph (b) of this paragraph.

(d) In any determination whether a member has been unreasonably prevented from becoming a contracting party to the general agreement, and in any determination under the provisions of chapter VIII whether a member has failed without sufficient justification to fulfill its obligations under paragraph 1 of this article, the Organization shall have regard to all relevant circumstances, including the developmental, reconstruction and other needs, and the general fiscal struc-

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ARTICLE XXVI. ACCEPTANCE, ENTRY INTO FORCE AND REGISTRATION

1. The present agreement shall bear the date of the signature of the final act adopted at the conclusion of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment and shall be open to acceptance by any government signatory to the final act.

2. This agreement, done in a single English original and in a single French original, both texts authentic, shall be deposited with the Secretary-General of the United Nations, who shall furnish certified copies thereof to all interested governments.

3. Each government accepting this agreement shall deposit an instrument of acceptance with the Secretary-General of the United Nations, who will inform all interested governments of the date of deposit of each instrument of acceptance and of the day on which this agreement enters into force under paragraph 5 of this article.

4. Each government accepting this agreement does so in respect of its metropolitan territory and of the other territories for which it has international responsibility; *Provided*, That it may at the time of acceptance declare that any separate customs territory for which it has international responsibility possesses full autonomy in the conduct of its external commercial relations and of the other matters provided for in this agreement, such territory shall, upon sponsorship through a declaration by the responsible contracting party establishing the above-mentioned fact, be deemed to be a contracting party.

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tures of the member countries concerned and to the provisions of the charter as a whole.

(e) If such concessions are in fact withheld, so as to result in the application to the trade of a member country of duties higher than would otherwise have been applicable, such member shall then be free, within 60 days after such action becomes effective, to give written notice of withdrawal from the Organization. The withdrawal shall become effective upon the expiration of 60 days from the day on which such notice is received by the Director-General.

ARTICLE 103. ENTRY INTO FORCE AND REGISTRATION

1. The government of each state accepting this charter shall deposit an instrument of acceptance with the Secretary-General of the United Nations, who will inform all governments represented at the United Nations conference on trade and employment and all members of the United Nations not so represented of the date of deposit of each instrument of acceptance and of the day on which the charter enters into force. Subject to the provisions of annex O, after the entry into force of the charter in accordance with the provisions of paragraph 2, each instrument of acceptance so deposited shall take effect on the sixtieth day following the day on which it is deposited.

ANNEX O. ACCEPTANCES WITHIN 60 DAYS OF THE FIRST REGULAR SESSION

(Referred to in par. 1 of art. 103)

For the purpose of the first regular session of the conference, any government which has deposited an instrument of acceptance in accordance with the provisions of paragraph 1 of article 103 prior to the first day of the session, shall have the same right to participate in the conference as a member.

ARTICLE 106. DEPOSIT AND AUTHENTICITY OF TEXTS—TITLE AND DATE OF THE CHARTER

1. The original texts of this charter in the official languages of the United Nations shall be deposited with the Secretary-General of the United Nations, who will furnish certified copies of the texts to all interested governments. Subject to the provisions of the statute of the International Court of Justice, such texts shall be equally authoritative for the purposes of the interpretation of the charter, and any discrepancy between texts shall be settled by the conference.

2. The date of this charter shall be March 24, 1948.

3. This Charter for an International Trade Organization shall be known as the Habana Charter.

ARTICLE 104. TERRITORIAL APPLICATION

1. Each government accepting this charter does so in respect of its metropolitan territory and of the other territories for which it has international responsibility, except such separate customs territories as it shall notify to the Organization at the time of its own acceptance.

2. Any member may at any time accept this charter, in accordance with the provisions of paragraph 1 of article 103, on behalf of any separate customs territory excepted under the provisions of paragraph 1.

3. Each member shall take such reasonable measures as may be available to it to ensure observance of the provisions of this charter by the regional and local governments and authorities within its territory.

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5. This agreement shall enter into force, as among the governments which have accepted it, on the thirtieth day following the day on which instruments of acceptance have been deposited with the Secretary-General of the United Nations on behalf of governments signatory to the final act the territories of which account for 85 percent of the total external trade of the territories of the signatories to the final act adopted at the conclusion of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment. Such percentage shall be determined in accordance with the table set forth in annex H. The instrument of acceptance of each other government signatory to the final act shall take effect on the thirtieth day following the day on which such instrument is deposited.

6. The United Nations is authorized to effect registration of this agreement as soon as it enters into force.

AD ARTICLE XXVI

(From annex I)

Territories for which the contracting parties have international responsibility do not include areas under military occupation.

ARTICLE XXVII. WITHHOLDING OR WITHDRAWAL OF CONCESSIONS

Any contracting party shall at any time be free to withhold or to withdraw in whole or in part any concession, provided for in the appropriate schedule annexed to this agreement, in respect of which such contracting party determines that it was initially negotiated with a government which has not become, or has ceased to be, a contracting party. The contracting party taking such action shall give notice to all other contracting parties and, upon request, consult with the contracting parties which have a substantial interest in the product concerned.

ARTICLE XXVIII. MODIFICATION OF SCHEDULES

1. On or after January 1, 1951, any contracting party may, by negotiation and agreement with any other contracting party with which such treatment was initally negotiated, and subject to consultation with such other contracting parties as the contracting parties determine to have a substantial interest in such treatment, modify, or cease to apply, the treatment which it has agreed to accord under article II to any product de-

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AD ARTICLE 104

(From annex P)

NOTE 1.—In the case of a condominium, where the codomini are members of the Organization, they may, if they so desire and agree, jointly accept this charter in respect of the condominium.

NOTE 2.—Nothing in this article shall be construed as prejudicing the rights which may have been or may be invoked by states in connection with territorial questions or disputes concerning territorial sovereignty.

ARTICLE 103 (CONTINUED)

2. (a) This Charter shall enter into force—

(i) On the sixtieth day following the day on which a majority of the governments signing the final act of the United Nations Conference on Trade and Employment have deposited instruments of acceptance in accordance with the provisions of paragraph 1; or

(ii) If, at the end of 1 year from the date of signature of the said final act, it has not entered into force in accordance with the provisions of subparagraph (a) (i), then on the sixtieth day following the day on which the number of governments represented at the United Nations Conference on Trade and Employment which have deposited instruments of acceptance in accordance with the provisions of paragraph 1 shall reach 20: *Provided*, That if 20 such governments have deposited acceptances more than 60 days before the end of such year, it shall not enter into force until the end of that year.

(b) If this charter shall not have entered into force by September 30, 1949, the Secretary-General of the United Nations shall invite those governments which have deposited instruments of acceptance to enter into consultation to determine whether and on what conditions they desire to bring the charter into force.

3. Under September 30, 1949, no state or separate customs territory, on behalf of which the said final act has been signed, shall be deemed to be a nonmember for the purposes of article 98.

4. The Secretary-General of the United Nations is authorized to register this charter as soon as it enters into force.

No comparable article.

No comparable article.

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scribed in the appropriated schedule annexed to this agreement. In such negotiations and agreement, which may include provision for compensatory adjustment with respect to other products, the contracting parties concerned shall endeavor to maintain a general level of reciprocal and mutually advantageous concessions not less favorable to trade than that provided for in the present agreement.

2. (a) If agreement between the contracting parties primarily concerned cannot be reached, the contracting party which proposes to modify or cease to apply such treatment shall, nevertheless, be free to do so, and if such action is taken the contracting party with which such treatment was initially negotiated, and the other contracting parties determined under paragraph 1 of this article to have a substantial interest, shall then be free, not later than 6 months after such action is taken, to withdraw, upon the expiration of 30 days from the day on which written notice of such withdrawal is received by the contracting parties, substantially equivalent concessions initially negotiated with the contracting party taking such action.

(b) If agreement between the contracting parties primarily concerned is reached but any other contracting party determined under paragraph 1 of this article to have a substantial interest is not satisfied, such other contracting party shall be free, not later than 6 months after action under such agreement is taken, to withdraw, upon the expiration of 30 days from the day on which written notice of such withdrawal is received by the contracting parties, substantially equivalent concessions initially negotiated with a contracting party taking action under such agreement.

ARTICLE XXIX. RELATION OF THIS AGREEMENT TO THE CHARTER FOR AN INTERNATIONAL TRADE ORGANIZATION

1. The contracting parties, recognizing that the objectives set forth in the preamble of this agreement can best be attained through the adoption, by the United Nations Conference on Trade and Employment, of a charter leading to the creation of an International Trade Organization, undertake, pending their acceptance of such a charter in accordance with their constitutional procedures, to observe to the fullest extent of their executive authority the general principles of the draft charter submitted to the conference by the preparatory committee.

2. (a) On the day on which the Charter of the International Trade Organization enters into force, article I and part II of this agreement shall be suspended and superseded by the corresponding provisions of the charter: *Provided*, That within 60 days of the closing of the United Nations Conference on Trade and Employment any contracting party may lodge with the other contracting parties an objection to any provision or provisions of this agreement being so suspended and superseded; in such case the contracting parties shall, within 60 days after the final date for the lodging of objections, confer to consider the objection in order to agree whether the provisions of the charter to which objection has been lodged, or the corresponding provision of this agreement in its existing form or any amended form, shall apply.

(b) The contracting parties will also agree concerning the transfer to the International Trade Organization of their functions under article XXV.

3. If any contracting party has not accepted the charter when it has entered into force, the contracting parties shall confer

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No comparable article.

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to agree whether, and if so in what way, this agreement, insofar as it affects relations between the contracting party which has not accepted the charter and other contracting parties, shall be supplemented or amended.

4. During the month of January 1949, should the charter not have entered into force, or at such earlier time as may be agreed if it is known that the charter will not enter into force, or at such later time as may be agreed if the charter ceases to be in force, the contracting parties shall meet to agree whether this agreement shall be amended, supplemented, or maintained.

5. The signatories of the final act which are not at the time contracting parties shall be informed of any objection lodged by a contracting party under the provisions of paragraph 2 of this article and also of any agreement which may be reached between the contracting parties under paragraphs 2, 3, or 4 of this article.

ARTICLE XXX. AMENDMENTS

1. Except where provisions for modification are made elsewhere in this agreement, amendments to the provisions of part I of this agreement or to the provisions of article XXIX or of this article shall become effective upon acceptance by all the contracting parties, and other amendments to this agreement shall become effective, in respect of those contracting parties which accept them, upon acceptance by two-thirds of the contracting parties and thereafter for each other contracting party upon acceptance by it.

2. Any contracting party accepting an amendment to this agreement shall deposit an instrument of acceptance with the Secretary-General of the United Nations within such period as the contracting parties may specify. The contracting parties may decide that any amendment made effective under this article is of such a nature that any contracting party which has not accepted it within a period specified by the contracting parties shall be free to withdraw from this agreement, or to remain a contracting party with the consent of the contracting parties.

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ARTICLE 100. AMENDMENTS

1. Any amendment to this charter which does not alter the obligations of members shall become effective upon approval by the conference by a two-thirds majority of the members.

2. Any amendment which alters the obligations of members shall, after receiving the approval of the conference by a two-thirds majority of the members present and voting, become effective for the members accepting the amendment upon the ninetieth day after two-thirds of the members have notified the Director-General of their acceptance, and thereafter for each remaining member upon acceptance by it. The conference may, in its decision approving an amendment under this paragraph and by one and the same vote, determine that the amendment is of such a nature that the members which do not accept it within a specified period after the amendment becomes effective shall be suspended from membership in the Organization: *Provided*, That the conference may, at any time, by a two-thirds majority of the members present and voting, determine the conditions under which such suspension shall not apply with respect to any such member.

3. A member not accepting an amendment under paragraph 2 shall be free to withdraw from the Organization at any time after the amendment has become effective: *Provided*, That the Director-General has received from such member 60 days' written notice of withdrawal; and *provided further*, That the withdrawal of any member suspended under the provisions of paragraph 2 shall become effective upon the receipt by the Director-General of written notice of withdrawal.

4. The conference shall, by a two-thirds majority of the members present and voting, determine whether an amendment falls under paragraph 1 or paragraph 2, and shall establish rules with respect to the reinstatement of members suspended under the provisions of paragraph 2, and any other rules required for carrying out the provisions of this article.

5. The provisions of chapter VIII may be amended within the limits and in accordance with the procedure set forth in annex N.

ANNEX N. SPECIAL AMENDMENT OF CHAPTER VIII

(Referred to in par. 5 of art. 100)

Any amendment to the provisions of chapter VIII which may be recommended by the Interim Commission for the International Trade Organization after consultation with the International Court of Justice and which

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ARTICLE XXXI. WITHDRAWAL

Without prejudice to the provisions of article XXIII or of paragraph 2 of article XX, any contracting party may, on or after January 1, 1951, withdraw from this agreement, or may separately withdraw on behalf of any of the separate customs territories for which it has international responsibility and which at the time possesses full autonomy in the conduct of its external commercial relations and of the other matters provided for in this agreement. The withdrawal shall take effect on or after January 1, 1951, upon the expiration of 6 months from the day on which written notice of withdrawal is received by the Secretary-General of the United Nations.

ARTICLE XXXII. CONTRACTING PARTIES

1. The contracting parties to this agreement shall be understood to mean those governments which are applying the provisions of this agreement under articles XXVI or XXXIII or pursuant to the protocol of provisional application.

2. At any time after the entry into force of this agreement pursuant to paragraph 5 of article XXVI, those contracting parties which have accepted this agreement pursuant to paragraph 3 of article XXVI may decide that any contracting party which has not so accepted it shall cease to be a contracting party.

ARTICLE XXXIII. ACCESSION

A government not party to this agreement, or a government acting on behalf of a separate customs territory possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in this agreement, may accede to this agreement, on its own behalf or on behalf of that territory, on terms to be agreed between such government and the contracting parties. Decisions of the contracting parties under this paragraph shall be taken by a two-thirds majority.

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relates to review by the Court of matters which arise out of the charter but which are not already covered in chapter VIII, shall become effective upon approval by the conference, at its first regular session, by a vote of a majority of the members: *Provided*, That such amendment shall not provide for review by the Court of any economic or financial fact as established by or through the Organization: *And provided further*, That such amendment shall not affect the obligation of members to accept the advisory opinion of the Court as binding on the Organization upon the points covered by such opinion: *And provided* further, That, if such amendment alters the obligations of members, any member which does not accept the amendment may withdraw from the Organization upon the expiration of 60 days from the day on which written notice of such withdrawal is received by the Director-General.

ARTICLE 102. WITHDRAWAL AND TERMINATION

1. Without prejudice to any special provision in this charter relating to withdrawal, any member may withdraw from the Organization, either in respect of itself or of a separate customs territory on behalf of which it has accepted the charter in accordance with the provisions of article 104, at any time after 3 years from the day of the entry into force of the charter.

2. A withdrawal under paragraph 1 shall become effective upon the expiration of 6 months from the day on which written notice of such withdrawal is received by the Director-General. The Director-General shall immediately notify all the members of any notice of withdrawal which he may receive under this or other provisions of the charter.

3. This charter may be terminated at any time by agreement of three-fourths of the members.

ARTICLE 71. MEMBERSHIP

1. The original members of the Organization shall be:

(a) Those states invited to the United Nations Conference on Trade and Employment whose governments accept this charter, in accordance with the provisions of paragraph 1 of article 103, by September 30, 1949, or, if the charter shall not have entered into force by that date, those States whose governments agree to bring the charter into force in accordance with the provisions of paragraph 2 (b) of article 103;

(b) those separate customs territories invited to the United Nations Conference on Trade and Employment on whose behalf the competent member accepts this charter, in accordance with the provisions of article 104, by September 30, 1949, or, if the charter shall not have entered into force by that date, such separate customs territories which agree to bring the charter into force in accordance with the provisions of paragraph 2 (b) of article 103 and on whose behalf the competent member accepts the charter in accordance with the provisions of article 104. If any of these customs territories shall have become fully responsible for the formal conduct of its diplomatic relations by the time it wishes to deposit an instrument of acceptance, it shall proceed in the manner set forth in subparagraph (a) of this paragraph.

2. Any other state whose membership has been approved by the conference shall become a member of the Organization upon its acceptance, in accordance with the provisions of paragraph 1 of article 103, of the charter as amended up to the date of such acceptance.

3. Any separate customs territory not invited to the United Nations Conference on Trade and Employment, proposed by the competent member having responsibility for the formal conduct of its diplomatic relations and which is autonomous in the conduct of its external commercial relations and of the other matters provided for in this charter and whose admission is approved by the Conference, shall become a member upon acceptance of the charter on its behalf by the competent member in accordance with the provisions of article 104 or, in the case of a territory in respect of which the charter has already been accepted under that article, upon such approval by the conference after it has acquired such autonomy.

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ARTICLE XXXIV. ANNEXES

The annexes to this agreement are hereby made an integral part of this agreement.

ARTICLE XXXV

1. Without prejudice to the provisions of paragraph 5 (b) of article XXV or to the obligations of a contracting party pursuant to paragraph 1 of article XXIX, this agreement, or alternatively article II of this agreement, shall not apply as between any contracting party and any other contracting party if:

(a) The two contracting parties have not entered into tariff negotiations with each other, and

(b) Either of the contracting parties, at the time either becomes a contracting party, does not consent to such application.

2. The contracting parties may, at any time before the Habana Charter enters into force, review the operation of this article in particular cases at the request of any contracting party and make appropriate recommendations.

ANNEX A. LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (A) OF ARTICLE I

United Kingdom of Great Britain and Northern Ireland.

Dependent territories of the United Kingdom of Great Britain and Northern Ireland.

Canada.

Commonwealth of Australia.

Dependent territories of the Commonwealth of Australia.

New Zealand.

Dependent territories of New Zealand.

Union of South Africa, including South West Africa.

Ireland.

India (as on April 10, 1947).

Newfoundland.

Southern Rhodesia.

Burma.

Ceylon.

Certain of the territories listed above have two or more preferential rates in force for certain products. Any such territory may, by agreement with the other contracting parties which are principal suppliers of such products at the most-favored-nation rate, substitute for such preferential rates a single preferential rate which shall not on the whole be less favorable to suppliers at the most-favored-nation rate than the preferences in force prior to such substitution.

The imposition of an equivalent margin of tariff preference to replace a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories listed in this annex or to replace the preferential quantitative arrangements described in the following paragraph, shall not be deemed to constitute an increase in a margin of tariff preference.

The preferential arrangements referred to in paragraph 5 (b) of article XIV are those existing in the United Kingdom on April 10, 1947, under contractual agreements with the Governments of Canada, Australia, and New Zealand, in respect of chilled and frozen beef and veal, frozen mutton and lamb, chilled and frozen pork, and bacon. It is the intention, without prejudice to any action taken under part I (h) of article XX, that these arrangements shall be eliminated or

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ARTICLE 105. ANNEXES

The annexes to this charter form an integral part thereof.

No comparable article.

ANNEX A. LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (A) OF ARTICLE 16

United Kingdom of Great Britain and Northern Ireland.

Dependent territories of the United Kingdom of Great Britain and Northern Ireland.

Canada.

Commonwealth of Australia.

Dependent territories of the Commonwealth of Australia.

New Zealand.

Dependent territories of New Zealand.

Union of South Africa, including South West Africa.

Ireland.

India (as at April 10, 1947).

Newfoundland.

Southern Rhodesia.

Burma.

Ceylon.

Certain of the territories listed above have two or more preferential rates in force for certain products. Any such territory may, by agreement with the other members which are principal suppliers of such products at the most-favored-nation rate, substitute for such preferential rates a single preferential rate which shall not on the whole be less favorable to suppliers at the most-favored-nation rate than the preferences in force prior to such substitution.

The preferential arrangements referred to in paragraph 5 (b) of article 23 are those existing in the United Kingdom on April 10, 1947, under contractual agreements with the Governments of Canada, Australia, and New Zealand, in respect of chilled and frozen beef and veal, frozen mutton and lamb, chilled and frozen pork, and bacon. Without prejudice to any action taken under paragraph 1 (a) (ix) of article 45, negotiations shall be entered into when practicable among

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replaced by tariff preferences, and that negotiations to this end shall take place as soon as practicable among the countries substantially concerned or involved.

The film-hire tax in force in New Zealand on April 10, 1947, shall, for the purposes of this agreement, be treated as a customs duty under article I. The renters' film quota in force in New Zealand on April 10, 1947, shall, for the purposes of this agreement, be treated as a screen quota under article IV.

The Dominions of India and Pakistan have not been mentioned separately in the above list since they had not come into existence as such on the base date of April 10, 1947.

ANNEX B. LIST OF TERRITORIES OF THE FRENCH UNION REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE I

France
French Equatorial Africa (Treaty Basin of the Congo[1] and other territories)
French West Africa
Cameroons under French Mandate[1]
French Somali Coast and Dependencies
French Establishments in India[1]
French Establishments in Oceania
French Establishments in the Condominium of the New Hebrides[1]
Guadeloupe and Dependencies
French Guiana
Indochina
Madagascar and Dependencies
Morocco (French zone)[1]
Martinique
New Caledonia and Dependencies
Réunion
Saint-Pierre and Miquelon
Togo under French Mandate[1]
Tunisia

ANNEX C. LIST OF TERRITORIES OF THE CUSTOMS UNION OF BELGIUM, LUXEMBURG AND THE NETHERLANDS REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE I

The Economic Union of Belgium and Luxemburg
Belgian Congo
Ruanda Urundi
Netherlands
Netherlands Indies
Surinam
Curaçao

(For imports into the metropolitan territories constituting the Customs Union.)

ANNEX D. LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE I AS RESPECTS THE UNITED STATES OF AMERICA

United States of America (customs territory)
Dependent territories of the United States of America
Republic of the Philippines

The imposition of an equivalent margin of tariff preference to replace a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories listed in this annex shall not be deemed to constitute an increase in a margin of tariff preference.

ANNEX E. LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN CHILE AND NEIGHBORING COUNTRIES REFERRED TO IN PARAGRAPH 2 (D) OF ARTICLE I

Preferences in force exclusively between Chile, on the one hand, and

1. Argentina
2. Bolivia
3. Peru

on the other hand.

[1] For imports into metropolitan France and territories of the French Union.

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the countries substantially concerned or involved, in the manner provided for in article 17, for the elimination of these arrangements or their replacement by tariff preferences. If after such negotiations have taken place a tariff preference is created or an existing tariff preference is increased to replace these arrangements such action shall not be considered to contravene the provisions of article 16 or article 17.

The film-hire tax in force in New Zealand on April 10, 1947 shall, for the purpose of this charter, be treated as a customs duty falling under articles 16 and 17. The renters' film quota in force in New Zealand on April 10, 1947, shall for the purposes of this charter be treated as a screen quota falling under article 19.

The Dominions of India and Pakistan have not been mentioned separately in the above list since they had not come into existence as such on the base date of April 10, 1947.

ANNEX B. LIST OF TERRITORIES OF THE FRENCH UNION REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE 16

France
French Equatorial Africa (Treaty Basin of the Congo[1] and other territories)
French West Africa
Cameroons under French Mandate[1]
French Somali Coast and Dependencies
French Establishments in India[1]
French Establishments in Oceania
French Establishments in the Condominium of the New Hebrides[1]
Guadeloupe and Dependencies
French Guiana
Indochina
Madagascar and Dependencies
Morocco (French zone)[1]
Martinique
New Caledonia and Dependencies
Reunion
Saint-Pierre and Miquelon
Togo under French Mandate[1]
Tunisia

ANNEX C. LIST OF TERRITORIES OF THE CUSTOMS UNION OF BELGIUM, LUXEMBURG AND THE NETHERLANDS REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE 16

The Economic Union of Belgium and Luxemburg
Belgian Congo
Ruanda Urundi
The Netherlands
Netherlands Indies
Surinam
Curaçao

(For imports into the metropolitan territories of the Customs Union.)

ANNEX D. LIST OF TERRITORIES OF THE UNITED STATES OF AMERICA REFERRED TO IN PARAGRAPH 2 (B) OF ARTICLE 16

United States of America (customs territory)
Dependent territories of the United States of America

ANNEX F. LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN CHILE AND NEIGHBORING COUNTRIES REFERRED TO IN PARAGRAPH 2 (E) OF ARTICLE 16

Preferences in force exclusively between, on the one hand, Chile, and, on the other hand,

1. Argentina
2. Bolivia
3. Peru,

respectively.

[1] For imports into metropolitan France and territories of the French Union.

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ANNEX F. LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN LEBANON AND SYRIA AND NEIGHBORING COUNTRIES REFERRED TO IN PARAGRAPH 2 (D) OF ARTICLE I

Preferences in force exclusively between the Lebano-Syrian Customs Union, on the one hand, and

1. Palestine
2. Transjordan

on the other hand.

ANNEX G. DATES ESTABLISHING MAXIMUM MARGINS OF PREFERENCE REFERRED TO IN PARAGRAPH 3 OF ARTICLE I

Australia, October 15, 1946.
Canada, July 1, 1939.
France, January 1, 1939.
Lebano-Syrian Customs Union, November 30, 1939.
Union of South Africa, July 1, 1938.
Southern Rhodesia, May 1, 1941.

ANNEX H. PERCENTAGE SHARES OF TOTAL EXTERNAL TRADE TO BE USED FOR THE PURPOSE OF MAKING THE DETERMINATION REFERRED TO IN ARTICLE XXVI

(Based on the average of 1938 and the latest 12 months for which figures are available)

	Percentage
Australia	3.2
Belgium-Luxemburg-Netherlands	10.9
Brazil	2.8
Burma	0.7
Canada	7.2
Ceylon	0.6
Chile	0.6
China	2.7
Cuba	0.9
Czechoslovakia	1.4
French Union	9.4
India	[1] 3.3
Pakistan	
New Zealand	1.2
Norway	1.5
Southern Rhodesia	0.3
Lebano-Syrian Customs Union	0.1
Union of South Africa	2.3
United Kingdom of Great Britain and Northern Ireland	25.7
United States of America	25.2
	100.0

[1] The allocation of this percentage will be made by agreement between the Governments of India and Pakistan and will be communicated as soon as possible to the Secretary-General of the United Nations.

NOTE.—These percentages have been determined by taking into account the trade of all territories for which countries mentioned above have international responsibility and which are not self-governing in matters dealt with in the general agreement on tariffs and trade.

ANNEX I. INTERPRETATIVE NOTES

(Shown above, following articles to which they relate.)

ANNEX J

(Shown above following article XIV.)

FINAL NOTE

The applicability of the General Agreement on Tariffs and Trade to the trade of contracting parties with the areas under military occupation has not been dealt with and is reserved for further study at an early date. Meanwhile, nothing in this Agreement shall be taken to prejudge the issues involved. This, of course, does not affect the applicability of the provisions of Articles XXII and XXIII to matters arising from such trade.

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ANNEX G. LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN THE SYRO-LEBANESE CUSTOMS UNION AND NEIGHBORING COUNTRIES REFERRED TO IN PARAGRAPH 2 (E) OF ARTICLE 16

Preferences in force exclusively between, on the one hand, the Syro-Lebanese Customs Union and, on the other hand,

1. Palestine
2. Transjordan,

respectively.

No comparable annex.

ANNEX P. INTERPRETATIVE NOTES

(Notes relating to articles printed above are shown following the articles to which they relate.)

ANNEX K

(Shown above opposite annex J following article XIV of GATT.)

No comparable note.

JOINT STATEMENT BY SENATOR VANDENBERG, CHAIRMAN OF THE SENATE FOREIGN RELATIONS COMMITTEE, AND BY SENATOR MILLIKIN, CHAIRMAN OF THE SENATE FINANCE COMMITTEE

Because of our mutual interest in the foreign and domestic aspects of the forthcoming trade-agreements negotiations we have held a number of conversations on the subject.

These and the discussions later referred to with Under Secretary of State Acheson and Under Secretary of State Clayton have been entirely on our own responsibility and solely for preliminary exploration on the subject. It is understood that the proposals are tentative and subject to revision in the light of developments.

Although we are conscious of differences of opinion between us as to some of the philosophy and procedures of the reciprocal-trade system, we are in accordance on the following:

"1. Since under existing law the Reciprocal Trade Act, as last extended by the Congress, does not expire until June 12, 1948, important basic changes in the system, if these should be needed, can be made more appropriately by the next session of this Congress. Moreover, pursuant to the authority vested in it by the Reciprocal Trade Act which, as above pointed out, does not expire until June 1948, the State Department has invited 18 nations to bargain with us this coming April for trade agreements; that elaborate plans for the negotiations have been made by the nations involved; that our own domestic hearings have been under way; that from the standpoint of our foreign relations it is undesirable that these plans be abandoned or needlessly postponed.

"2. There is considerable sentiment for procedural improvements leading to more certain assurance that our domestic economy will not be imperiled by tariff reductions and concessions. The desire for procedural improvements arises from fears such as the following:

"'(a) That our proper domestic concern in tariffs adequate to safeguard our domestic economy may be subordinated to extraneous and overvalued diplomatic objectives;

"'(b) That our domestic interests which require protection against injurious imports or the threat thereof are not given proper hearings on proposed tariff cuts;

"'(c) That the exact reductions and concessions contemplated are kept secret and it is impossible to make specific defensive arguments against unspecified perils;

"'(d) That the whole matter is surrounded with unnecessary secrecy;

"'(e) That responsibility for advice to the President against injurious tariff reductions and concessions is unduly diluted and obscured among too many executive agencies and is not sufficiently focused on those best able to give it;

"'(f) That we do not get sufficient return benefit from the generalized benefits resulting to other nations from the operations of the unconditional most-favored-nation clauses in our trade agreements.'

"3. That under the Tariff Act of 1930 and the amending Reciprocal Trade Act there is ample authority for establishment of procedures by the President without further legislation that will safeguard the domestic economy without hampering the negotiation of agreements to encourage the essential expansion of our foreign trade.

"4. That to the extent such executive safeguards are provided claims for legislative action are obviated.

"5. We believe that the following measures which may be put into effect by the President out of his existing powers would afford improved safeguards and would, without damage to legitimate reciprocal-trade negotiations, allay many of the fears that have been mentioned:

"'(a) The United States Tariff Commission to review all contemplated tariff reductions and concessions in all future trade agreements and to make direct recommendation to the President as to the point beyond which reductions and concessions cannot be made without injury to the domestic economy;

"'(b) Inclusion of "escape clause" in every trade agreement hereafter entered into or renewed whereby the United States, on the initiative of the President, can withdraw or modify any tariff reduction or concession if in practice it develops that such reduction or concession has imperiled any affected domestic interest;

"'(c) The Tariff Commission to keep closely and currently informed on the operation of all of our trade agreements and on its own motion or on the request of the President or of the Congress, or of any aggrieved party, to hold public hearings to determine whether, in its opinion, any particular escape clause should be invoked, and to recommend direct to the President withdrawal or modification of any rate or concession which imperils any affected domestic interest;

"'(d) Recommendations of Tariff Commission to President for withdrawal or modification of rates or concessions under operation of "escape clause," together with any dissenting opinions of members and nonconfidential supporting data to be open to public inspection;

"'(e) Efficient procedures and policies to assure that nations which do not make available to us their own tariff reductions and concessions to other nations shall not receive generalized benefits from us resulting from the inclusion in our own trade agreements of the unconditional most-favored-nation clauses except at our option exercised in the public interest.'

"6. We have discussed these matters with Under Secretary of State Acheson and Under Secretary of State Clayton and are encouraged to hope that improvements by Executive order along the lines suggested will be seriously considered by the President and the State Department."

FEBRUARY 7, 1947.

ORDER FOR RECESS

Mr. GEORGE. Mr. President, I ask unanimous consent that, when the Senate concludes its business today, it stand in recess until 12 o'clock tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

The Senate resumed the consideration of the bill (H. R. 1211) to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

Mr. THOMAS of Oklahoma. Mr. President, it is now 20 minutes past 5. What I have to say will consume probably 25 or 30 minutes. If other Senators desire to speak at this time, I would prefer to make my speech tomorrow after the Senate convenes. However, if Senators wish to remain for 25 or 30 minutes, I am ready to proceed.

Mr. President, on May 20 I submitted an amendment to the pending bill.

Mr. WHERRY. Mr. President, will the Senator yield for a question?

Mr. THOMAS of Oklahoma. I yield to the Senator from Nebraska.

Mr. WHERRY. Is this the amendment which has to do with the limitation of oil imports?

Mr. THOMAS of Oklahoma. The Senator is correct.

Mr. WHERRY. Mr. President, I do not wish in any way to interfere with the procedure, but this is a very important amendment. I am interested in it, as I know other Senators are. I am wondering if the distinguished acting majority leader feels that we should proceed with this amendment before tomorrow. I do not wish in any way to hinder the program, but I am satisfied that several Senators are interested in this amendment. I thought the speech of the Senator from Oklahoma was to be on a different subject.

Mr. GEORGE. Mr. President, I apprehended that the speech of the Senator from Oklahoma might be on some other part of the program. I should like to have the Senate continue in session a little while longer, but I do not wish to inconvenience Senators by calling for a quorum this late in the afternoon. If the Senator from Oklahoma would rather proceed tomorrow, I shall ask that the Senate take a recess until tomorrow.

Mr. THOMAS of Oklahoma. I shall occupy only 25 or 30 minutes, unless there are questions; and I do not anticipate that. I have no desire whatever to postpone consideration of the pending amendment, offered by my colleague from Colorado [Mr. MILLIKIN]. I desire at this time to get my statement in the RECORD, so that when we come to vote on amendments we can call them up in order and vote on them, and make progress.

RECESS

Mr. GEORGE. Mr. President, in view of the statement of the distinguished minority leader, and assuming that it will be quite as convenient for the Senator from Oklahoma to proceed tomorrow, I move that the Senate take a recess, in accordance with the order already entered, until 12 o'clock noon tomorrow.

The motion was agreed to, and (at 5 o'clock and 26 minutes p. m.) the Senate took a recess, the recess being under the order previously entered, until Friday, September 9, 1949, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate September 8 (legislative day of September 3), 1949:

DIPLOMATIC AND FOREIGN SERVICE

Robert D. Murphy, of Wisconsin, a Foreign Service officer of the class of career minister, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Belgium.

AIR FORCE OF THE UNITED STATES

The following-named officers for appointment to the positions indicated under the provisions of section 504, Officer Personnel Act of 1947:

Lt. Gen. Howard Arnold Craig, 17A, Air Force of the United States (major general, U. S. Air Force), to be inspector general, United States Air Force, with the rank of lieutenant general, with rank from October 1, 1947.

Maj. Gen. Kenneth Bonner Wolfe, 15A, United States Air Force, to be Deputy Chief of Staff, Matériel, United States Air Force, with the rank of lieutenant general, with date of rank from date of appointment.

CONFIRMATIONS

Executive nominations confirmed by the Senate September 8 (legislative day, September 3), 1949:

IN THE ARMY

APPOINTMENTS IN THE UNITED STATES ARMY

Lt. Gen. Wade Hampton Haislip, O3374, Army of the United States (major general, U. S. Army), for appointment as Vice Chief of Staff, United States Army, with the rank of general, under the provisions of section 504 of the Officer Personnel Act of 1947.

Brig. Gen. Elbert Louis Ford, O5251, United States Army, for appointment as Chief of Ordnance, United States Army, and for appointment as major general in the Regular Army of the United States, under the provisions of section 12, National Defense Act, as amended, and title V, Officer Personnel Act of 1947.

Maj. Gen. William Henry Harrison Morris, Jr., O3102, United States Army, for appointment as Commander in Chief, Caribbean, with the rank of lieutenant general, under the provisions of section 504 of the Officer Personnel Act of 1947.

APPOINTMENT, BY TRANSFER, IN THE REGULAR ARMY OF THE UNITED STATES

The following-named officer for appointment, by transfer, in the Regular Army of the United States, without specification of branch, arm, or service:

Capt. Ernest Woodrow Wilson O41141, Medical Service Corps, United States Army.

The following-named officer for appointment, by transfer, in the Medical Service Corps, Regular Army of the United States:

First Lt. Charles Albert Layman O49778, United States Army.

The following-named officer for appointment, by transfer, in the Judge Advocate General's Corps, Regular Army of the United States:

Capt. William George Barry O40452, United States Army.

PROMOTIONS IN THE REGULAR ARMY

The following-named officers for promotion in the Regular Army of the United States, under the provisions of sections 502 and 509 of the Officer Personnel Act of 1947. Those officers whose names are preceded by the symbol (×) are subject to examination required by law:

To be captains, Medical Service Corps

×Elvis Eugene Bates, O37577.
Derwood Eddie Burleson, O37566.
Robert Dinsdale Evans, O37568.
Samuel Michael Gottry, O37544.
Charles David Graber, O37555.
Thomas Henry Hoover, O37565.
Bernard Francis Kerwin, O37567.
Arthur John Kropp, O37561.
Joseph Alexander Lapiana, O56952.
John Joseph Leary, O56235.
William Morris Newbold, O37538.
Ernest Gabriel Rivas, O37543.
Murval France Specht, O37558.
Richard Milton Stacey, O41153.
Floyd Bruce Wells, O37575.
Harry Towner Whitaker, O37539.

The following-named officers for promotion in the Regular Army of the United States, under the provisions of section 107 of the Army-Navy Nurses Act of 1947:

To be captains, Army Nurse Corps

Mary M. Duncan, N755.
Leah L. Neff, N1092.
Mary Ellen Ouimet, N1396.
Daisy D. Williams, N1674.

UNITED STATES AIR FORCE

PROMOTIONS IN THE UNITED STATES AIR FORCE

The following-named officers for promotion in the United States Air Force under the provisions of section 107 of the Army-Navy Nurses Act of 1947. These officers have been found physically and professionally qualified as required by law:

To be captains, USAF (nurses)

Bean, Catherine Barbara, AN1378.
Christman, Florence M., AN1098.
Cook, Ruby, AN754.
Easterling, Elsie F., AN1093.
Erdmann, Marjorie Bertha, AN1675.
Flynn, Margaret Cecelia, AN1382.
Hays, Helen Marie, AN750.
Hodgson, Maralee Ruth, AN1380.
Hovatter, Velma Arizona, AN920.
Kruger, Ruth A., AN1381.
Lang, Mildred D., AN1585.
Levy, Marietta, AN1384.
Linhares, Alice M., AN912.
Miller, Irene Ethel, AN1581.
Murphy, Mary Cecelia, AN908.
Quintini, Audrae A., AN1395.
Rydzewski, Helen, AN1729.

To be captains, USAF (medical specialists)

Beck, Mary Frances, AJ49.
Folmar, Evelyn, AR10079.

The following-named officers for promotion in the United States Air Force under the provisions of sections 502 and 509 of the Officer Personnel Act of 1947. These officers have been found physically qualified as required by law:

To be captains, USAF (Medical Service)

Cook, Paul Marvin, 19503A.
Delahunt, John Clark, 19509A.
Horton, Russell Ervin, 19501A.
Howell, Louis Grady, 19500A.
Manrow, William Edward, 19504A.
Nicholson, Guy Christopher, 19506A.
Powell, Dudley Forbes, 19507A.
Rohles, Frederick Henry, Jr., 19505A.
Smith, Stuart Springer, 19502A.
Sykes, Edward George, 19508A.

To be major, USAF (Chaplains)

Pierce, Palmer Phillippi, 18759A.

The following-named officers for promotion in the United States Air Force under the provisions of sections 502 and 508 of the Officer Personnel Act of 1947. Those officers whose names are preceded by the symbol (×) are subject to examination required by law. All others have been examined and found physically qualified for promotion:

To be first lieutenants, United States Air Force

Blanton, William Jennings, 17553A.
Bunn, DeWitt Relyea, 17557A.
Burkett, Daniel Lee, 17571A.
×Maurer, Lyle Eugene, 17554A.
McCurdy, Norman Roy, 17556A.
Rhoads, William Clarence, 17555A.
Robinson, Leroy Buddie, 17573A.
Roy, Carl William, 17572A.
×Smith, Walter Aloysius, Jr., 17574A.

(NOTE.—These officers complete the required years' service for promotion purposes during July through December. Dates of rank will be determined by the Secretary of the Air Force.)

APPOINTMENTS IN THE UNITED STATES AIR FORCE

The following-named persons for appointment in the United States Air Force, in the grade and corps indicated with dates of rank to be determined by the Secretary of the Air Force under the provisions of section 506, Public Law 381, Eightieth Congress (Officer Personnel Act of 1947), and title II, Public Law 365, Eightieth Congress (Army-Navy-Public Health Service Medical Officer Procurement Act of 1947):

To be majors, USAF (Medical)

Andres I. Karstens, O542449.
Paul E. Lance, O480242.

To be captains, USAF (Medical)

Robert R. Kessler, O1746057.
Carl B. Richey, Jr., O435892.

To be captains, USAF (Dental)

Leonard S. Johnston, Jr., O356385.
Thomas K. Jones, O360089.

To be first lieutenants, USAF (Medical)

Neill H. Baker, O962711.
Charles G. Campbell, O965830.
Philip C. Canney.
Hugh H. Curnutt, O963956.
Toby Freedman.
Ned T. Gould, O954270.
Gene A. Guinn, O961037.
Eugene T. Hansbrough, O961453.
William C. Hedberg, O963363.
Prescott B. Holt, O965461.
Sidney B. Kern.
Paul J. LaFlamme, O965462.
James T. Leslie, Jr.
Benjamin J. Meadows, Jr., O961040.
Richard C. Peterson, O962718.
Rhea S. Preston.
Walter P. Reeves, O965463.
Fabian J. Robinson, O961438.
Warner M. Soelling, O961549.
Robert J. Suozzo, O963142.
Archie E. Van Wey, O953811.
Charles J. Weber, Jr., O962730.
Robert L. Williams, O1718921.
Joseph B. Workman, O1727509.
Richard L. Zettler, O961435.
Louis H. Zucal, O953813.

To be first lieutenants (Dental)

Salvatore A. Cordaro, O959922.
Sterling H. Kleiser, O966172.
Joseph F. Welborn, O962112.

The following-named persons for appointment in the United States Air Force in the grade indicated, with dates of rank to be determined by the Secretary of the Air Force, under the provisions of section 506, Public Law 381, Eightieth Congress (Officer Personnel Act of 1947), and section 2, Public Law 775, Eightieth Congress (act of June 25, 1948):

To be first lieutenants

Robert B. Booz, O434631.
John E. Cleary, AO1593501.
Vincent J. Del Beccaro, AO 319095.
Francis C. Eberhart, AO406720.
Leonard Eichner, O1171524.
Fred B. Hammond, Jr., O351266.
F. Ned Hand, O423267.
Raphael J. Hogan, O361965.
Henry M. Klein, AO568934.
William L. Koch, AO703274.
Joseph E. Krysakowski, AO725888.
Jonah Lebell, AO949879.
Henry S. Lewis, Jr., MO16867.
Robert W. Michels, AO409120.
Gilbert E. Montour, AO435975.
Lee G. Norris, AO1849788.
Peter Portrum, AO569807.
Donald H. Smith, AO7281 8.
Ralph Trabb, AO794905.
Joseph P. Wine, Jr., AO376451.
Gust J. Yandala, AO789852.

The following-named persons for appointment in the United States Air Force in the grade indicated, with dates of rank to be determined by the Secretary of the Air Force, under the provisions of section 506, Public Law 331, Eightieth Congress (Officer Personnel Act of 1947):

To be second lieutenants

Joseph O. Beard, Jr.
Marion C. Becker.
Joe L. Bradley.
Allen C. Clark.
Guy F. Collins.
William R. Coughlin.
Robert S. Cruikshank, AO1849578.
John S. Finlay III.
Robert E. Gabosch.
Francis L. Gasque.
Richard C. Golden.
Edgar B. Gray.
Warren L. Hildebrandt.
Lauren D. Hobbs, AO1949258.
Hoyt F. Holcomb.
Bondy H. Holcombe, AO1847999.
Samuel B. Love, AO1904202.
Ralph A. Magnotti.
Ramon McKinney.
Richard R. Moore, AO932640.
Ralph A. Morgen.
David W. Sharp.
Kemon P. Taschioglou.
Walter T. Wardzinski.
Donald F. Wischow.

DEPARTMENT OF THE NAVY

Rear Adm. John W. Roper, United States Navy, to be Chief of the Bureau of Naval Personnel and Chief of Naval Personnel in the Department of the Navy for a term of 4 years.

Rear Adm. Charles W. Fox, Supply Corps, United States Navy, to be Paymaster General and Chief of the Bureau of Supplies and Accounts in the Department of the Navy, with the rank of rear admiral, for a term of 4 years.

Rear Adm. Thomas L. Sprague, United States Navy, to have the grade, rank, pay, and allowances of a vice admiral while serving under a Presidential designation as commander, Air Force, United States Pacific Fleet.

Rear Adm. Edwin D. Foster, Supply Corps, United States Navy, to have the grade, rank, pay, and allowances of a vice admiral while serving under a Presidential designation as Chief of Naval Material.

The following-named officers for permanent appointment to the grade of rear admiral in the line of the Navy:

Lucien M. Grant
Lloyd Harrison

Capt. Stanton W. Salisbury, Chaplain Corps, United States Navy, for permanent appointment to the grade of rear admiral in the Chaplain Corps of the Navy.

The following-named midshipmen (aviation) to be ensigns in the Navy from the 3d day of June 1949:

Robert F. Abels	William Q. Leysath
James J. Ash	Edgar K. Lofton, Jr.
Kenneth W. Atkinson	Robert J. McCarty
Patrick H. Benner	James M. McClatchie
Harold A. Bowron, Jr.	Ernest L. Marier
Delbert E. Brandenburg	Robert E. Morgan
	Paul H. Mozley
Henry G. Brewer, Jr.	Matt O. Musick, Jr.
Robert M. Christiansen	George I. T. Nielsen
James C. Clarke	Alan R. Nye
James E. Corbett	William R. O'Connell
Allen C. Davis	David F. O'Connor
Jack T. Davis	Eugene A. Pelton
Andrew DiFonzo	Billy C. Putnam
LeRoy S. Ellison	Charles J. Raney, Jr.
Jack E. Fairchild	Jack DeW. Riley
Robert J. Finley	John P. Ritchie
Wylie D. Foster	George R. Simpson
Robert L. Gardner	George Sinkez
Frank M. Gilman	Raymond E. Smith
Billy J. Goodman	Robert R. Smith
Lyman W. Griswold	William J. Snider
William H. Haight	Edward L. Soule
Eugene B. Hale	Charles E. Spann, Jr.
Jerome E. Hamill	Harold H. Sproull
Robert L. Harbin, Jr.	Glenn M. Stokes
James McI. Harrell	Richard P. Stroud
Gilbert W. Hicks	Phillip J. Sullivan
Henry F. Hite, Jr.	Charles A. L. Swanson
Alfred L. How, Jr.	Stuart N. Templeton
Vern K. Hugus	William E. Tillerson
Ivan W. Janssen	Patrick C. Tims
Ronald P. Johnson	Don VanSlooten
Isaac F. Jones, Jr.	John H. Wachtel
Richard W. Keirnes	Edwin S. Wallace, Jr.
Benny G. King	Joshua C. Werner III
Richard I. Kirkland	Frank D. Whiteman
Vance R. Kloster	James J. Wilson, Jr.
Edmund V. Konieczny	Edward K. Winslow
Albert G. Kuehnappel	Frank G. Ziegler
Calvin H. Lee	

The following-named (civilian college graduates) to be ensigns in the Navy from the 3d day of June 1949:

Junius H. Arnold, Jr.
John W. Shook, Jr.

The following-named (civilian college graduates) to be ensigns in the Civil Engineer Corps of the Navy from the 3d day of June 1949:

David R. Bird, Jr.
Jerome E. Toffler.

David V. Castner, Jr. (civilian college graduate) to be a lieutenant in the Dental Corps of the Navy.

Samuel L. Cooper (civilian college graduate) to be a lieutenant (junior grade) in the Dental Corps of the Navy.

The following-named to be ensigns in the Nurse Corps of the Navy:

Mary T. Kelly	Emma L. Nero
Betty J. Kirby	Faye J. Slate

The following-named officers to the grades indicated in the Dental Corps of the Navy:

Lieutenant commanders

Charles H. Graves
Malcolm T. McGowen

Lieutenant (junior grade)

Frank J. Brauer

Felix L. Kensta (civilian college graduate) to be a lieutenant (junior grade) in the Chaplain Corps of the Navy.

IN THE MARINE CORPS

PERMANENT APPOINTMENT

The following-named officer for permanent appointment to the grade of captain in the Marine Corps:

Richard M. Bickford

The following-named citizens (civilian college graduates) for permanent appointment to the grade of second lieutenant in the Marine Corps:

Ernest B. Altekruse	John R. Dickson
Maurice C. Ashley, Jr.	George E. Hayward

The following-named enlisted men for permanent appointment to the grade of second lieutenant in the Marine Corps:

Raymod L. Barrie, Jr.	Richard R. Miller
Robert J. Barton	William Morse, Jr.
Henry A. Commiskey	Pierre D. Reissner, Jr.
John F. Conroy	"S" "E" Sansing
Robert H. Corbet	Charles B. Sturgell
Thomas E. Driscoll	Leonard C. Taft
Francis A. Gore, Jr.	Gerald G. Tidwell
Harold A. Hatch	Thomas W. Turner
Miles "M" Hoover, Jr.	Robert "H" White
James H. MacLean	James F. Wolfe, Jr.
Max A. Merritt	

The following-named enlisted men (meritorious noncommissioned officers) for permanent appointment to the grade of second lieutenant in the Marine Corps:

Derrell C. Briden	Raymond C. Paulson,
Harold L. Dawe, Jr.	Charles R. Petty
Robert D. Dern	Warren C. Sherman
Wiley J. Grigsby, Jr.	Robert W. Taylor
Charles H. Opfar, Jr.	

SENATE

FRIDAY, SEPTEMBER 9, 1949

(Legislative day of Saturday, September 3, 1949)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Rev. Robert N. DuBose, D. D., executive secretary, Commission on Christian Higher Education, Association of American Colleges, Washington, D. C., offered the following prayer:

Almighty God, the shepherd of men, give to us more depth of vision and breadth of charity, more wisdom and fresh understanding; fashion us after Thine own example of love as we set our